



Financial Reporting Council

Enhancing Auditor's Reports

Proposed Revisions to UK
Auditor Reporting Standards

October 2025

The FRC does not accept any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

© The Financial Reporting Council Limited 2025

The Financial Reporting Council Limited is a company limited by guarantee.
Registered in England number 2486368. Registered Office:
13th Floor, 1 Harbour Exchange Square, London, E14 9GE

Contents

	Page
1. Requests for comments	3
2. Purpose of this Consultation Document	4
3. Simplifying and decluttering the auditor's report	6
4. Enhancing the information communicated in the auditor's report	8
5. Maintenance of alignment with international standards	11
6. Impact assessment	13
7. Technical appendix	14

1. Request for comments

Consultation questions

Simplifying and decluttering the auditor's report

1. Do you support the measures proposed by the FRC to simplify and declutter the auditor's report?

Enhancing the communicative value of the auditor's report

2. Do you believe that the proposed changes to key audit matters will improve the communicative value of the auditor's report to users?
3. Do you consider that the inclusion of requirements to describe the impact of the entity's controls on the audit in the auditor's report, and the level of work required by the auditor as a result, will provide users with useful further insights?
4. Do you support the proposed approach to requiring auditors to identify and report any significant deficiencies in internal controls that merit communication within the auditor's report? Is it appropriate to scope the requirements to discuss the impact of the entity's controls on the audit and to communicate highly material significant deficiencies in internal controls solely to entities that apply the UK Corporate Governance Code?

Other changes

5. Do you support the removal of the distinction between other information and Statutory Other Information to ensure that the auditor's responsibilities under ISA (UK) 720 focus on other information that is of most relevance to a reader of the annual report?
6. Do you support the FRC's proposed approach to ensuring that the ISAs (UK) remain aligned with the international standards following the changes made by the IAASB as part of their Listed Entity and PIE Track 1 project?
7. Would you support the FRC making the appropriate limited and technical changes to the ISAs (UK) arising from the IAASB's Listed Entity and PIE Track 2 project without reverting to a full public consultation, as long as changes are explained through stakeholder outreach?

Responses should be sent to AAT@frc.org.uk and marked for the attention of Peter Kitson and Kate Dalby. Responses should be received Friday 16 January 2026.

2. Purpose of this consultation document

8. The Financial Reporting Council (FRC) is committed to acting as a proportionate and principles-based regulator that balances the need to minimise the impact of regulatory requirements on business, while working to support the delivery of high-quality audit and assurance work to maintain investor and wider stakeholder confidence in audit and assurance.
9. The FRC committed to a consultation on proposed revisions to the auditor reporting, to respond to stakeholder feedback raising concerns about the length and useability of auditor's reports.
10. The objectives of the proposed revisions set out in this consultation are to:
 - Simplify and declutter of the auditor's report, and in so doing reduce reporting burdens.
 - Increase the quantity of useful information for users within the auditor's report.
11. The principal auditing standards in scope of this work are:
 - ISA (UK) 700 (Revised November 2019) *Forming an Opinion and Reporting on Financial Statements*.
 - ISA (UK) 701 (Revised November 2019) *Communicating Key Audit Matters in the Independent Auditor's Report*.
 - ISA (UK) 720 (Revised November 2019) *The Auditor's Responsibilities Relating to Other Information*.
12. In developing these proposals, the FRC has been mindful of the need to remain within the framework set by the international auditing standards, and minimise the need for additional requirements. Accordingly, a key focus of the proposed changes is largely on the relationship between the auditor reporting requirements set by UK law, and how they have been implemented through the auditing standards.
13. A number of measures are also proposed to improve the communicative value of auditor's reports for listed entities, public interest entities (PIEs), and entities that are required to or voluntarily apply the UK Corporate Governance Code. To ensure that the changes are proportionate and to minimise additional auditor work effort, these have been designed around existing requirements for the auditor to communicate with those charged with governance in the case of engagements involving these types of entities. As a result they should result in no additional cost.

Effective date

14. We are proposing an effective date for audits of financial statements for periods beginning on or after 15 December 2026 for all the amended standards within the scope of this

consultation. This is to align with the forthcoming international changes to ISA 570 and ISA 240. Earlier adoption would be permitted.

Invitation to comment

15. The FRC is requesting comments on this consultation by **Friday 16 January 2026**.
16. Comments are invited in writing on all aspects on the consultation and the proposed revised standards. Responses in relation to questions 1-7 in Section 1 above will be particularly welcomed. Respondents should not feel limited to these questions and can raise other relevant matters in their responses. Comments should be emailed to Peter Kitson and Kate Dalby at AAT@frc.org.uk.

3. Simplifying and decluttering the auditor's report

17. The proposed changes to the auditor reporting standards described in this section are intended to simplify and declutter auditor reporting. In addition, the proposals also aim to move, where possible, certain disclosures online. By removing auditor reporting requirements that result in generic, boilerplate text which adds little to the user's understanding of the audit, these changes should reduce auditor work effort and reduce the volume of material in the auditor's report that does not contribute greatly to the user's understanding of the audit.

Explanation of proposed key changes

Reversion to genuine reporting by exception

Reporting by exception as required by law

18. Auditors of specific legal types of entities are often subject to additional statutory requirements to report on certain matters on a 'by exception' basis. For example, the Companies Act 2006 requires auditors to state in their report that they have not received all the information and explanations required during the audit, if this was indeed the case.
19. Accordingly, the FRC proposes to remove the current requirement to describe the auditor's responsibilities with respect to reporting by exception, and to provide a conclusion on these matters, from ISA (UK) 700. The proposed revised standard will retain application material to guide the auditor in instances where there is a need to report a matter required by the Companies Act.

Reporting by exception in respect of the UK Listing Rules

20. For those entities that are required to make a statement of how they have applied the principles of the UK Corporate Governance Code, the UK Listing Rules require the auditor to review certain statements made by those charged with governance in the annual report before the annual report is published, including disclosures about going concern and viability, emerging and principal risks, and management's review of the effectiveness of risk management and internal controls systems. However, the UK Listing Rules do not require the auditor to report on these matters in the auditor's report. An ISA (UK) requirement was introduced in 2008 for the auditor to report on them in the auditor's report.
21. Where the auditor discharges such responsibilities and has nothing to report auditors are currently required to say that they have nothing to report. Feedback suggests that this has little value to the users of auditor's reports. We are therefore proposing to remove the requirement from the ISAs (UK).

Including more details on auditor's responsibilities online

22. In addition to the changes above we are proposing to include additional responsibilities in the 'description of the auditor's responsibilities for the audit of the financial statements' that is maintained on the FRC's website. This is included in our consultation.

Describing how the audit was intended to detect irregularities, including fraud

Restriction of the requirement to PIEs and Listed Entities only

23. ISA (UK) 700 currently includes a requirement for the auditor to describe the extent to which the audit was considered capable of detecting irregularities, including fraud. This requirement was introduced for public interest entity audits by the 2016 reforms arising from the EU Audit Regulation.
24. Discussions with stakeholders, as well as a review of practice, indicated the following:
- There were many instances of good practice in auditor's reports for listed entities, where the auditor had provided insightful information into identified risks of irregularities and fraud, as well as the specific procedures performed in response to those risks.
 - By contrast many auditors provided a detailed list of generic procedures and risks.
 - The descriptions provided for smaller, non-listed companies are highly generic. The FRC has also received feedback that these descriptions result in a disproportionate amount of work-effort for auditors of smaller and less complex entities.
25. The FRC is therefore proposing to remove the requirement for all audits to provide this description. Instead, only auditor's reports for PIEs and other listed entities will be required to provide this description. To recognise the continuing legal requirement to include such reporting for PIEs, the requirement will be removed from ISA (UK) 700 and included instead within ISA (UK) 701.

Inclusion of application material to discourage the use of boilerplate disclosures

26. The FRC's proposals leave the requirements to describe the extent to which the audit was considered capable of detecting irregularities, including fraud, unchanged. This also extends to the application guidance, except for a proposed additional paragraph (A59-6). This encourages auditors to include details of audit procedures within their descriptions which have been tailored specifically to the circumstances of the entity.

4. Enhancing the information communicated in the auditor's report

27. The FRC have also identified opportunities where changes to the auditing standards can drive improvements in the quality of information included within the auditor's report for audits of listed entities, PIEs, and other entities in scope of ISA (UK) 701.
28. The intention of these changes is to improve the quality and quantity of decision-useful information for users of audited financial information compared to boilerplate. This will help support users in making informed and responsible risk taking in their capital allocation decisions, and thereby support economic growth.

Explanation of proposed key changes

Overarching requirement for relevant information

29. To encourage auditors to focus on including relevant information within the auditor's report, the FRC proposes to include a new overarching requirement in ISA (UK) 701 (paragraph 8-1) requiring auditors to:
 - provide information that is relevant to users of the financial statements;
 - help users to understand the significance of matters communicated to the financial statements as a whole; and
 - use language which is directly related to the circumstances of the entity.
30. Supporting application guidance is also proposed to assist the auditor to develop a perspective on what users regard as relevant information.

Requiring the auditor to make key observations for all Key Audit Matters where possible

31. The FRC proposes to require auditors to include key observations in key audit matters whenever it is possible to do so. Currently, ISA (UK) 701 only requires auditors of PIEs to include key observations as key audit matters. This change will support existing good practice and at the same time will avoid the costs associated with differential requirements between the different types of entity.
32. Requiring key observations provides an opportunity for auditors to communicate further relevant information to users about the audit, such as the views of the auditor on key judgements made by management in the preparation of the financial statements, as well as the considerations made by the auditor with respect to those key judgements.

-
33. The FRC also proposes to include supporting application guidance for this new requirement. This material assists the auditor by suggesting examples where the auditor may be able to make a key observation establishing relevance as a key criterion.

Reporting key observations where a Key Audit Matter relates to the entity's accounting practices

34. The proposed revisions also require auditors to communicate their views on significant quantitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures (paragraph 13-1). Application guidance is also proposed to support auditors in applying this new requirement.
35. As the proposed application guidance acknowledges, many accounting judgements are binary in nature, for example determining whether the criteria for recognising an asset or liability have been met. By contrast, accounting estimates are subject to estimation uncertainty which means that there is a range of potential values which are reasonable within the parameters set by financial reporting.
36. There is also no expectation that auditors should perform additional audit procedures to facilitate reporting under this requirement, so no additional cost or burden will arise.

Other changes

37. The draft version of ISA (UK) 701 published alongside this consultation also includes two further proposed changes to application guidance.
38. The first change (paragraph A45-1) sets out further assistance for describing why the auditor considered the matter to be one of most significance during the audit. This comprises instances where circumstances within the control of the audited entity resulted in a significant incremental allocation of resource (and cost) to a key audit matter, such as where a material misstatement is identified, or where the underlying accounting approach changes during the audit.
39. The paragraph providing application guidance on the requirement for the auditor to describe the scope of the audit (paragraph A59-10) has also been revised.

Communication on the entity's system of internal control

40. The FRC also proposes to require auditors to communicate certain matters in relation to the entity's system of internal control within the auditor's report for companies that apply the UK Corporate Governance Code. This is because:
- a) Investors have repeatedly expressed an interest in understanding the balance between substantive and control-based testing approaches adopted by auditors during the performance of an audit. This is because of the potential insight this may give users on the reliability of controls at the audited entity.

-
- b) The recent revision to the UK Corporate Governance Code will require companies following the Code to providing a declaration of effectiveness of the material controls as at the balance sheet date. In addition, where the material controls are not effective, companies are also expected to describe these controls, as well as any actual or proposed action to improve them, as well as any action taken to address previously reported issues.

41. The FRC therefore proposes three key changes to the auditor reporting standards:

- A new requirement for the auditor to describe the impact of the entity's controls on the planning and performance of the audit;
- a new requirement for the auditor to consider the need to communicate any significant deficiencies in internal control identified during the audit; and
- new application guidance to assist auditors in applying ISA (UK) 720 in relation to the UK Corporate Governance Code.

These changes will apply solely to audits of entities that either are required or choose to follow the UK Corporate Governance Code.

Reporting on significant deficiencies in internal control identified by the auditor

42. The FRC proposes to require auditors to consider whether any of the significant deficiencies in internal control which have been identified during the audit are of sufficient importance to merit inclusion in the auditor's report. Auditors are already required to report such deficiencies to management and those charged with governance in accordance with ISA (UK) 265 *Communicating Deficiencies in Internal Control to Those Charged With Governance and Management*.
43. The proposed change is included as paragraph 16-3(b) in ISA (UK) 701. It will require auditors to consider whether any of these deficiencies merit inclusion in the auditor's report. Supporting application guidance makes it clear that the threshold for such reporting is high, setting out an expectation that the deficiency should be regarded as being 'highly material' to users, with an expectation that any reported deficiencies indicate an ineffective control environment. There is no expectation that all significant deficiencies communicated to the audit committee should be included within the auditor's report.

Guidance to support the auditor in applying ISA (UK) 720 in relation to the UK Corporate Governance Code

44. Recent changes to the UK Corporate Governance Code have generated queries to the FRC about whether the auditor's responsibilities to read and consider this information as part of their audit have also changed. This is not the case – any additional disclosures made by the directors as a result of changes to the Code are able to be read and considered by the auditor under the existing requirements in ISA (UK) 720.
45. We have included additional application material in paragraphs A36-6 – A36-12 to provide guidance to auditors in reading and considering corporate governance disclosures.

5. Maintenance of alignment with international standards

46. The FRC aims to ensure that UK auditing standards are equivalent with the international standards issued by the IAASB. Maintaining equivalence with globally recognised standards enhances market confidence in financial statement information and facilitates international comparability.

Explanation of proposed key changes

Removal of distinction between Other Information and Statutory Other Information

47. Currently, ISA (UK) 720 makes a distinction between other information and statutory other information (SOI). SOI is any other information included in the annual report for which the auditor is required to report publicly in respect of (e.g. the directors' or strategic report, and certain climate related disclosures). However, as annual reports have continued to evolve, the distinction between other information and SOI has become less important. For example, not all sustainability and climate related information would be classed as SOI, but this information has become increasingly of more relevance to investors and other users of the annual report. We are therefore proposing to remove this distinction which aligns more closely to the international version of the standard.
48. Auditors will instead be required to obtain an understanding of:
- The legal and regulatory requirements applicable for other information, where such requirements exist; and
 - the entity's process for preparing that other information.
49. As the proposed requirement is similar in nature to the current requirement, we anticipate that the impact of this change on the work effort of auditors will be limited.

Amendments to ISAs (UK) arising from changes to requirements for listed entities and PIEs

50. The IAASB initiated a project in 2022 to consider the impact on the international standards of the recent revisions to the definitions of 'listed entity' and 'public interest entity' made by the International Ethics Standards Board for Accountants (IESBA). This project will result in revisions to the international auditor reporting standards. The FRC proposes to incorporate these changes into the relevant ISAs (UK), and these changes are discussed below.

Amendments to ISA (UK) 700 arising from the Listed Entity and PIE Track 1 project

51. Track 1 of the IAASB's Listed Entity and PIE project was a narrow scope project focussed on determining how the auditor's report should refer to ethical requirements.
52. In response to these changes, and to ensure that the UK auditing standards remain aligned with the international versions, the FRC proposes to revise ISA (UK) 700 and ISA (UK) 260 in accordance with these changes. In addition, additional application guidance is proposed for inclusion in ISA (UK) 700 as paragraphs A36-1 to A36-4.
53. The proposed changes are included in both the proposed revised version of ISA (UK) 700 and in the extract to ISA (UK) 260 which have been published alongside this document.

Amendments to ISAs (UK) arising from the Listed Entity and PIE Track 2 project

54. The IAASB is currently finalising Track 2 of the Listed Entity and Public Interest Entity project. This project intends to achieve the greatest possible convergence between the definitions and key concepts used in the IESBA Code and the ISQMs and ISAs. It also aims to consider and, if necessary, amend the applicability of existing differential requirements in both the ISAs and ISQMs to meet heightened expectations of stakeholders with respect to the performance of audits for these entities.
55. These narrow scope amendments are likely to be routine in nature and will need to be reflected in the ISAs (UK) to maintain equivalence with international standards. Mindful of the burden that consultations can pose for stakeholders as well as the limited scope of the proposed changes, the FRC proposes to adopt these changes to the international standards without a full consultation specifically for that purpose. Question 6 below invites users to comment on this approach.

Other conforming amendments

56. A number of other conforming amendments have been included in the draft versions of ISAs (UK) 700, 701, and 720 which have been issued to support this consultation. These reflect changes to other auditing standards issued by the IAASB which have not been reflected in the most recent version of the UK versions of these standards.

6. Impact assessment

57. The FRC is a principles-based regulator and is committed to issuing proportionate Standards and Guidance that support the provision of high-quality, independent audit. As a matter of policy, the FRC's auditing standards are based on the corresponding international standards issued by the IAASB. Where necessary the international standards are augmented with additional requirements to address specific UK legal and regulatory requirements; and additional guidance that is appropriate in the UK national legislative, cultural and business context.
58. In developing the proposed revisions to ISA (UK) 700, ISA (UK) 701, and ISA (UK) 720, we have sought to maintain our support for the underlying international standards while introducing supplemental requirements and guidance to address concerns currently identified in the UK.
59. We recognise that limited additional costs will be incurred by practitioners, including those relating to performance, staff training, and familiarisation with the standards. These can be incorporated within periodic updates that auditors undertake to ensure they understand changes to auditing, ethics and independence and accounting standards. We also anticipate that there will be cost savings, though the removal of the need to describe the extent to which the audit could detect irregularities, including fraud, for auditor's reports outside the scope of ISA (UK) 701. We also believe that the significant public interest benefits will accrue from the inclusion of more decision-useful information within auditor's reports for listed entities and those adhering to the UK Corporate Governance Code. While these benefits are unquantifiable, they will outweigh the costs of changes that may be necessary for the methodologies adopted by audit firms.

7. Technical appendix

60. This appendix provides cross references between the key changes discussed in this document and the exposure drafts of ISA (UK) 700, ISA (UK) 701, and ISA (UK) 720 issued alongside this document.

	ISA (UK) 700	ISA (UK) 701	ISA (UK) 720
Simplifying and decluttering the auditor's report:			
Reversion to genuine reporting by exception	✓		✓
Restriction of the requirement to describe how the audit was intended to detect irregularities, including fraud, to PIEs and listed entities	✓	✓	
Enhancing the communicative value of the auditor's report:			
Reporting key observations for all Key Audit Matters		✓	
Reporting key observations where a Key Audit Matter relates to the entity's accounting practices		✓	
Describing the impact of controls at the entity on the performance of the audit		✓	
Reporting on significant deficiencies in internal control identified by the auditor		✓	
Other changes:			
Removal of the distinction between Other Information and Statutory Other Information			✓
IAASB PIE Track 1 Project amendments*	✓		

* Changes also impact ISA (UK) 260 *Communication With Those Charged With Governance*.



Financial Reporting Council

**Financial
Reporting Council**

London office:

13th Floor, 1 Harbour
Exchange Square,
London, E14 9GE

Birmingham office:

5th Floor, 3 Arena
Central, Bridge Street,
Birmingham, B1 2AX
+44 (0)20 7492 2300

www.frc.org.uk

Follow us on
LinkedIn