

## **Consultation**

### **Proposed International Standard On Auditing (UK) 2X0 (Revised) Special Considerations for Public Interest Entities – Communicating and Reporting to an appropriate authority outside the entity**

#### **OSCR's response to the consultation – 15 January 2024**

##### **1. About OSCR**

The Office of the Scottish Charity Regulator (OSCR) is the independent registrar and regulator of Scotland's charities of which there are approximately 25,000. It is a Non-Ministerial Office of the Scottish Administration, established in its present form in 2006 under the Charities and Trustee Investment (Scotland) Act 2005 (the 2005 Act). It reports directly to the Scottish Parliament. OSCR's general functions are:

- to determine whether bodies are charities
- to keep a public register of charities
- to encourage, facilitate and monitor compliance by charities with charity law
- to identify and investigate apparent misconduct in the administration of charities and to take remedial or protective action in relation to such misconduct
- to give information or advice, or to make proposals, to the Scottish Ministers on matters relating to OSCR's functions

##### **2. Our response**

2.1 OSCR welcomes the opportunity to respond to the Financial Reporting Council's proposal consultation on the proposals to revise the current ISA (UK) 250 Section B on reporting to regulators.

2.2 Charities in Scotland are subject to the Charities Accounts (Scotland) Regulations 2006 (as amended) ("the 2006 Regulations"). The 2006 Regulations set

out the criteria for where a charity is required to have an audit undertaken. In Scotland, charities with gross income of £500,000 and more are required to have their annual accounts audited. There are also other criteria that apply. In Scotland, approximately 7% of charities have income of £500,000 and more.

2.3 Auditors of charities in Scotland have a duty to report matters of material significance to OSCR under section 46 of the 2005 Act. In addition, auditors have discretion to report relevant matters to OSCR under section 46 of the 2005 Act. There are similar legal requirements in England and Wales, and Northern Ireland. OSCR, The Charity Commission for England and Wales and The Charity Commission for Northern Ireland have issued [joint guidance](#) regarding the matters that must be reported and the [relevant matters that may be reported](#).

2.4 The Proposed International Standard on Auditing (UK) 2X0 (Revised) is consistent with the requirements set out in the Matters of Material Significance guidance. The work which is outlined in the revised standard is work which we as a charity regulator would expect that a charity auditor would undertake. We consider it would be a helpful reference point for auditors of charity accounts in Scotland. As such we would be supportive of the extension of ISA (UK) 2X0 to charities.

2.5 We expect auditors of charities in Scotland to have a solid understanding of the laws and regulations that apply to those charities. We also expect them to have familiarised themselves with the matters of material significance guidance.

2.6 We considered whether the extension of ISA (UK) 2X0 to charities would be an additional regulatory burden, but we do not believe it would be. The requirement of the standard is work which should be undertaken by all auditors of charities and is consistent with the steps we outline in our own guidance. As such we do not consider adherence to this will place an additional burden on auditors of charities.

2.7 We support the extension of the definition of a reportable matter to include matters which are in the public interest to report even where law, regulation or relevant ethical requirements do not require it. This aligns with our guidance on discretionary reporting of relevant matters.

2.8 On review of the proposed standard we have one further comment. Paragraphs 14 and 15 refer to the discussion of matters with the appropriate level of management, and where appropriate, those charged with governance, unless this is prohibited by law and regulation. Paragraph 20 goes on to clarify that where the reportable matter casts doubt on the integrity of management or those charged with governance they would not inform management or those charged with governance in advance. It may be helpful to consider moving these paragraphs closer together to make it clearer that there may be situations, not necessarily those prohibited by law and regulation, where it is not appropriate to discuss with those charged with governance.

2.9 OSCR invites further discussion with the Financial Reporting Council on the points raised in this response.