

January 2024

Charity Commission consultation response to the Financial Reporting Council's 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**

The Charity Commission England and Wales (the Commission) is a non-ministerial government department and we are the regulator of charities in England and Wales.

Under the Charities Act 2011, we are charged with statutory objectives against which we must deliver. These include increasing public trust and confidence in charities, enhancing the accountability of donors, beneficiaries and the general public and promoting the effective use of charitable resources.

The Commission welcomes the opportunity to respond to the Financial Reporting Council's consultation. The Commission is responding to question 8 -

Do you agree with the proposed scope of ISA (UK) 2X0 being limited to public interest entities, or do you believe that the requirements of ISA 2X0 should also apply to: a) Listed entities b) Charities c) Other entities in regulated industries d) All entities

The Commission's response -

Sections 156 and 159 of the Charities Act 2011 places a duty upon auditors in England and Wales of both non-company and company charities to make a report to the Charity Commission where in the course of their work, they identify a matter which they have reasonable cause to believe is likely to be of material significance for the purposes of the exercise by the Commission of its functions listed in section 156(3) of the Charities Act 2011.

The Office of the Scottish Charity Regulator (OSCR) and the Charity Commission Northern Ireland (CCNI) have similar provisions for reporting. The three UK charity regulators have issued joint UK guidance on the reporting of such matters. The guidance details the matters that must be reported and the relevant matters that may

be reported. This guidance was last updated in April 2020¹. Reference to this duty is made in Practice Note 11, The audit of charities in the United Kingdom².

The Commission is of the view that the requirements that are set out in the Financial Reporting Council's proposals requires work that the Commission would expect a charity auditor to undertake to comply with the existing duty to report to the Commission. Given that there is an existing duty, the Commission do not anticipate that this would be an additional ask on charity auditors and would be supportive of charities being included in ISA (UK) 2X0.

If this was to be extended to charities, then the Commission would recommend that the existing regime for reporting matters to the UK Charity Regulators be considered for consistency. Updates to Practice Note 11 may also be required.

The Commission would welcome a further discussion with the Financial Reporting Council on this.

Kind regards

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¹ [Matters of material significance and reporting by auditors and independent examiners to the charity regulator - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

² [PN11 1..90 \(frc.org.uk\)](http://frc.org.uk)