

## **Request for Comments Response from Ralph Tiffin FCA BSc AMIMechE**

### **ISAs (UK) 250 2X0 - Consideration of Laws and Regulations in an Audit of Financial Statements**

1 Do you agree that the proposals in ISA (UK) 250 appropriately address the public interest?

**A clear definition of what the FRC considers the public interest to be, across the full range of audits, would be helpful. The pdf “General principles for considering the public interest in our work“ is vague**

**For the last few years when applying the extant ISA on Laws and Regulations several clients have bluntly asked if I am “now policing them” Maybe this is what the public think we do.**

2 Do the proposed requirements in paragraphs 12-2–12-3 support auditors to be able to identify those laws and regulations with which non-compliance may have a material effect on the financial statements?

**They may assist thinking**

3 Do you believe that the proposals in ISA (UK) 250, considered collectively, will enhance and strengthen the auditor’s identification of risks of material misstatement of the financial statements due to fraud or error relating to non-compliance with laws and regulations?

**Possibly**

4 Have appropriate enhancements been made to the application material?

**Most ISAs are verbose and this is no exception. This detracts from supporting focused application of all the rules / requirements.**

**It is interesting to note the introduction of the notion of “principle-based requirements”**

44 We also believe that the **principle-based requirements** established in requirements 14– 23 would assist all auditors in the event that they identified a reportable matter.

**Do these differ from the rules based requirements to be found in other ISAs?**

5 Do you support the deletion of the Appendix on “Money laundering, terrorist financing and proceeds of crime legislation in the United Kingdom”?

**No comment**

6 Do you agree with the proposed effective date for audits of financial statements for periods commencing on or after 15 December 2024?

**No comment**

**ISA (UK) 2X0—Special Considerations for Audits of Public Interest Entities—  
Communicating and Reporting to an Appropriate Authority Outside the Entity**

7 Do you agree that the proposals in ISA (UK) 2X0 appropriately address the public interest?

**As in reply to question 1 a clear definition of what the FRC considers the public interest would be helpful –**

**For example the statement in General principles for considering the public interest in our work**

We commit to publishing a yearly perimeter report explaining how our regulatory perimeter applies to each of our functions, highlighting how we have worked within that perimeter in the public interest, and where (if applicable) we have taken any decision to go beyond it.

**really requires fuller explanation before new or revised ISAs are issued.**

**As in the reply to question 8 below if the rationale for this ISA is deemed so important and aligns with what enacted laws demand from auditors then this ISA should apply to all audits.**

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

When responding consider that for many audits, as reportable matters are not likely to be identified, only the requirements in paragraphs 11 – 13 will apply and that all auditors are subject to anti-money laundering legislation.

**Many charities large and small are very much the subject to public interest. If auditors are deemed to have a role in “policing” entities then this proposed ISA should apply to all entities.**

9 Do you support the definition of Reportable Matters?

**34 of Invitation to comment states** - We are therefore proposing to include an additional reporting requirement for auditors in proposed paragraph 18 that where a reportable matter exists but there are no law, regulation or relevant ethical requirements identified, the auditor is still required to consider whether the reportable matter is one that should be reported in the public interest to an appropriate authority outside the entity.

**The definition - Definition 10 b of the proposed ISA 2X0**

(b) Reportable matter – Information about which the auditor becomes aware during the audit that the auditor:

- (i) Is required to report to an appropriate authority outside the entity in accordance with law, regulation or relevant ethical requirements; or
- (ii) Has determined reporting such information to an appropriate authority outside the entity is an appropriate action in the circumstances; or

***(iii) Has determined is of such significance that it is in the public interest to report even where law, regulation or relevant ethical requirements do not require it.***

**This rather indicates we are to police our clients and fits with this notion in a code of ethics:-**

A key tool for serving the public interest is a code of ethics for members to follow, which **demands more than ordinary morality and the law**

10 Do you believe that the proposals in ISA (UK) 2X0, considered collectively, will enhance and strengthen the auditor's identification of matters that should be reported to an appropriate authority outside the entity?

**Possibly**

11 Have appropriate enhancements been made to the application material?

**As for 4 - most ISAs are verbose and this is no exception. This detracts from supporting focused application of all the rules / requirements.**

12 Do you agree with the proposed effective date for audits of financial statements for periods commencing on or after 15 December 2024?

**No comment**

Responses should be sent to **AAT@frc.org.uk** and marked for the attention of **Kate Dalby**.