Updates and Insights

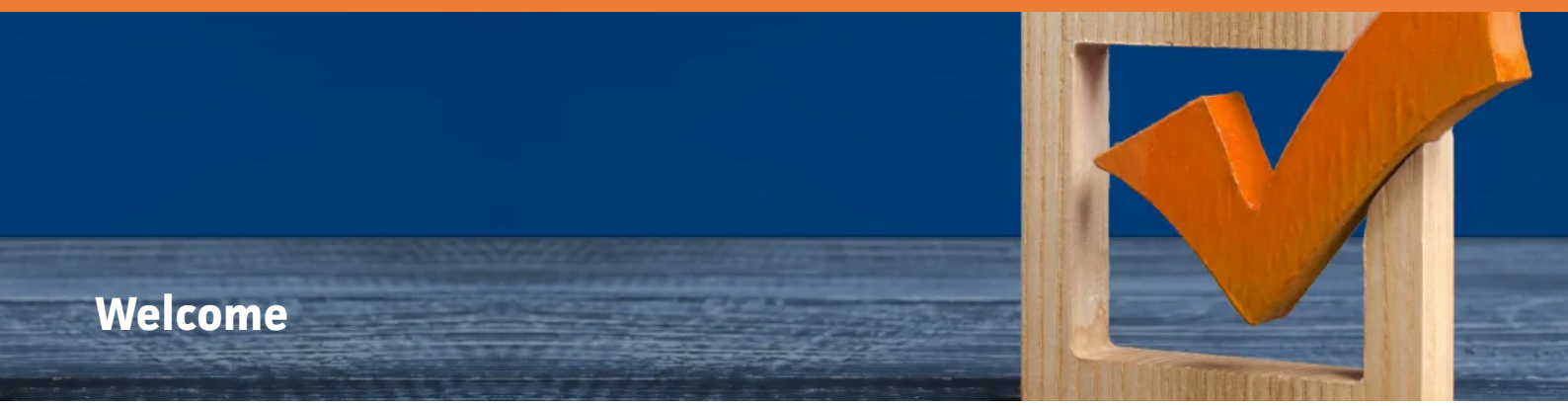
November 2024

Edited by Andrew Jarvis

HAT

YOUR COMPLIANCE PARTNER

CENTRALPOINT, 45 BEECH STREET, LONDON, EC2Y 8AD



Welcome

Welcome to your final HAT Updates and Insights of 2024. As we start to plan for 2025, it is reassuring that there is relatively little change to financial reporting or auditing requirements for the next reporting season. The exception to this is the revision to ISA 600 for group assignments. We were pleased to release our methodology for this in October. The revised standard represents a significant change in approach for group and component auditors and we will be releasing details of an on-demand course to support you in adopting these changes in the coming few weeks.

Looking forward to 2025 we are expecting legislation to enact the anticipated changes in company size thresholds and further guidance on the changes to FRS 102 and FRS 105 which were confirmed earlier this year. We will keep you updated on these developments and the continued implementation of the Economic Crime and Corporate Transparency Act through our Quarterly CPD updates and will amend our documentation as and when changes are finalised.

Elsewhere we are updating our course programme to enhance our provision for new starters commencing their professional career and a new modular course for managers. Look out for more details on this over the next couple of months.

NEW FOR 2024: HAT SPECIALIST CPD BUNDLE

Undertaking specialist work without appropriate training is a key quality risk under ISQM (UK) 1. To help manage this regulatory issue and provide your team with the knowledge necessary to conduct these assignments correctly and efficiently we have developed a series of specialist assignment, on demand, courses. Training will last between 30 minutes and three hours depending on the sector and can be included in verifiable CPD for qualified members of your team. Full details of these courses are available here.

HAT

NEW

SPECIALIST ASSIGNMENT CPD PACKAGES

To support your team when undertaking specialist assignments, we are developing a series of related 'on demand' courses. Undertaking specialist work without appropriate training is a key quality risk under ISQM (UK) 1. Our courses will help manage this regulatory issue and provide your team with the knowledge necessary to conduct these assignments correctly and efficiently.

Designed for staff members who are new to, or less experienced in, these sectors, these modular, easy to digest webinars introduce the sector, explain the specific reporting requirements and provide an overview of the assignment - all relevant regardless of the methodology you use. Training will last between 30 minutes and three hours depending on the sector and can be included in verifiable CPD for qualified members of your team.

For the more popular assignments, specifically SRA Accounts Rules, charities and pensions, both an introductory course and a current issues course are available.

	NO. OF MODULES	PRICE PER PERSON**		ANNUAL PRICE PER FIRM**
INTRODUCTION / REFRESHER COURSES		MEMBERS	NON-MEMBER	
FCA Client Assets Reports	1	£135	£170	Unlimited access to the complete series
Charity Audit & Independent Examinations	3	£135	£170	
Pension Schemes	3	£135	£170	Sole RI* £50 pm
SRA Accounts Rules	3	£135	£170	2 RI Firm £100 pm
Limited Liability Partnerships	1	£105	£135	3- 4 RI Firm £200 pm
Not for Profit Entities	1	£60	£80	5-10 RI Firm £300 pm
Academies	1	£60	£80	>10 RI Firm POA
Registered Social Housing Providers	1	£60	£80	
Property Agents' Client Money Assignments	1	£60	£80	
ATOL Assignments	1	£60	£80	
UPDATE COURSES				
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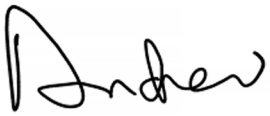
* Available where a methodology pack is purchased - £25pm for training associated with the three methodology sectors purchased, £50 pm month where all sectors have been purchased. ** plus VAT.

To add unlimited access to these courses to your membership please click here. If you would like to purchase specific courses, please email hat@hatgroup.co.uk.

CLICK HERE TO BUY OUR PACK

Andrew Jarvis - Managing Director



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Contact Us

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020 7213 9911

Technical Helpline

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Recruitment and student exam training queries

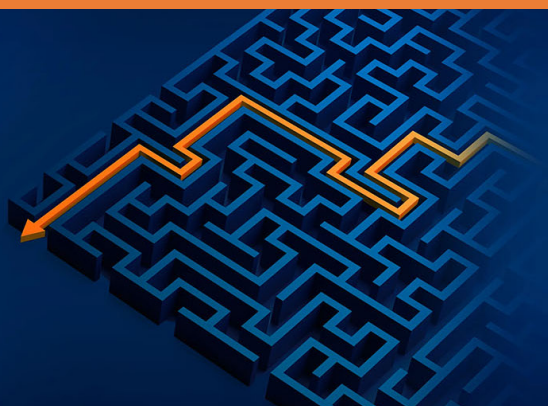
anna@hatgroup.co.uk

General enquiries

hat@hatgroup.co.uk

Please contact us before visiting or sending paper files for review as our London office is only open by appointment.

Upcoming Courses and Events



Our website provides details of all our current and upcoming courses. Over the next few weeks, we have an important update course for those of you preparing or auditing financial statements using IFRS. Coming soon is an on-demand module covering the changes to ISA (UK) 600 for group assignments, more details of which will be released over the next couple of weeks. Don't forget that many of our technical introduction and update courses are also available to view on demand.

CAREER DEVELOPMENT COURSES

Our popular Career Development course programme covers the skills needed for trainees and newly qualified staff. Full details including proposed dates for 2025 are provided below.

SUBJECT	DATE	VENUE	NOTES
Introduction to Accounting	27 – 31 January 2025 1 – 5 September 2025	London	We can also run tailored courses covering these topics in house for you. Please contact Kate or Andrew for more information.
Introduction to Auditing	3 – 7 February 2025 8 – 11 September 2025	London	
Advanced Accounting	6 – 7 January 2025 5 – 6 June 2025	London	
Practical Auditing	23 – 27 June 2025 20 – 25 October 2025	Residential – venue TBC	
A Practical Introduction to UK Tax	15 January 2025 23 July 2025	London	
A Practical Introduction to UK GAAP	16 -17 January 2025 24 – 25 July 2025	London	
Becoming an Effective Audit Senior	12 – 16 May 2025 6 – 10 October 2025	Residential – venue TBC	
Becoming an Effective Supervisor	11 – 14 November 2025	Residential – venue TBC	
Managers Course	A new, three-day modular course commencing 26 February 2025	London	

Please see the HAT website www.hatgroup.co.uk for our full range of courses and further details such as pricing. Bookings can be made via our website or please email hat@hatgroup.co.uk or call 020 7213 9911 for more details.

SPECIALIST ASSIGNMENT CPD PACKAGES

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CLICK HERE TO BUY OUR PACK

Updates to the HAT Methodologies

The following updates have been released in past twelve months:

REFERENCE	DATE	CONTENT
TM 08/23	21 December 2023	HAT Charities Methodology - January 2022 (12-23 Update)
TM 01/24	31 January 2023	Journal Testing Example Working Paper
TM 02/24	6 February 2024	HAT Pension Schemes Methodology – January 2022 (02-24 Update)
TM 03/24	12 February 2024	HAT Not for Profit Entities Methodology – January 2022 (02-24 Update)
TM 04/24	28 March 2024	HAT ATOL Assignments Methodology – March 2024
TM 05/24	25 July 2024	HAT Academies Methodology – August 2024
TM 06/24	28 October 2024	HAT Groups Methodology – January 2024

Summaries of the changes to our methodologies in the above updates are here.

A summary of our current methodologies and compliance pack including details of effective dates can be obtained by logging into the members' area of the HAT website. Remember, key elements of our audit and non-audit methodologies are available from our partners, CaseWare and MyWorkPapers. For full details of the availability of our documentation within these platforms please contact us.

FUTURE CHANGES TO OUR METHODOLOGIES

There are only very limited changes required to our documentation for forthcoming year-ends, the most significant being to group audit assignments because of the changes to ISA 600. We expect minor changes to our IFRS and FRS 101 disclosure checklists to be released in the coming weeks.

To provide feedback on any HAT methodology please click here.

TRAINING ON THE HAT AUDIT METHODOLOGY

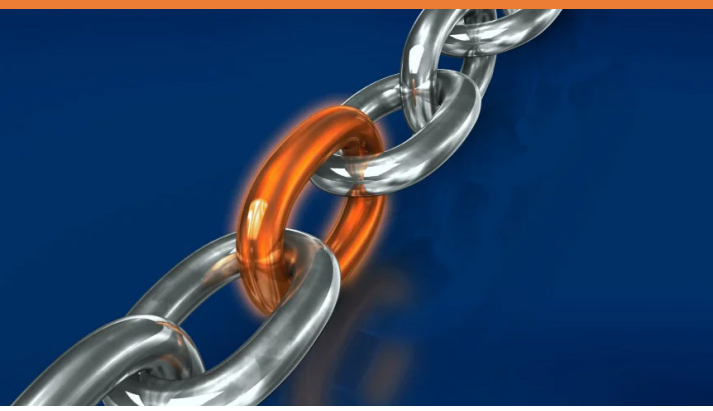
Our on-demand training course for new users of the HAT methodology forms part of your membership fee. This online training is broken down into 4 modules:

- Module 1: The "Basics" and the First Stages of Planning
- Module 2: Formal Planning Procedures
- Module 3: Audit Approach and Audit Sampling
- Module 4: Review and Finalisation

This training focusses solely on the HAT methodology and therefore is appropriate for all users, irrespective of the platform in which the methodology is used. For firms using Caseware, a range of pre-recorded training videos and supporting material is available, covering the functionality of the software and file navigation.

The material for this can be accessed from the "HAT Audit Methodology – An introduction for new users" folder within in our Members' Area at www.hatgroup.co.uk.

Technical Update



COMPANY LAW

COMPANY REPORTING UPDATE:

There have been two announcements from the Department for Business and Trade ("DBT") and these:

Confirm non-financial reporting review will be brought into force:

Legislation will be enacted before the end of the year, which will:

- Streamline reporting requirements, removing requirements for information deemed to be of low value; and
- Uplift Companies Act 2006 size thresholds to reflect historical and future inflation and reduce regulatory burdens on business.

We currently expect these changes to be effective for periods commencing 6 April 2025 onwards. However, this is still to be confirmed.

Confirm (closed) consultation on further reliefs will not be carried forward:

These proposals included whether to raise the employee threshold to determine company size from 250 to 500 employees for medium-sized companies and whether to exempt medium-sized private companies from having to prepare a Strategic Report as part of the annual reports and accounts. The proposals are not being taken forward at this time but will be considered as part of the government's broader non-financial reporting review.

HAT RESPONSE
Once legislation has been finalised, the impact will be analysed and communicated to firms. Time has already been set aside to update methodologies (including disclosure checklists).

ECONOMIC CRIME ACT IMPLEMENTATION PLAN:

Companies House have published their outline transition plan for the Economic Crime and Corporate Transparency Act 2023. This includes background information and details on the progress to date. Future implementation plans include:

- By winter 2024, Companies House should be able to annotate the register in a wider range of circumstances, such as when a company has a director who has been disqualified but has yet to terminate their appointment on the register, or where Companies House has issued a statutory notice to require more information from a person, but the matter remains unresolved;
- By spring 2025, Companies House should be able to carry out checks on Authorised Corporate Service Providers (ACSPs) to authorise them to carry out verification services – ACSPs will be required to be registered in the UK and be subject to the UK's anti-money laundering regime; and
- By autumn 2025, Companies House should be able to make identity verification a compulsory part of incorporation and new appointments for new directors and PSCs, and begin the 12-month transition phase to require more than 7 million existing directors and PSCs to verify their identity.

Following accounts reform, Companies House will be able to:

- Remove the option for small companies and micro-businesses to file abridged accounts;
- Require all companies to file profit and loss accounts, helping to improve the financial information on the register – and require small companies to also file their directors' report;
- Require a company claiming an audit exemption to provide an enhanced statement from their directors on the balance sheet, specifying the exemption being claimed and confirming the company is eligible for it; and
- Limit the number of times that a company can shorten its accounting reference period.

HAT RESPONSE
Once the details regarding accounts reform have been finalised, HAT will include this in training material and ensure that methodologies (including disclosure checklists) are updated.

ACTION FOR FIRMS
It is sensible for clients to be advised that a future amendment will mean that abridged accounts will no longer be able to prepared and that filleted accounts will no longer be able to be filed.

TRADE SANCTIONS UNIT LAUNCHED:

The DBT has issued a Press Release, which states the following:

"UK sanctions against Russia are set to be strengthened as the Government launches a new unit to help companies comply with trade sanctions and penalise those who do not.

The new Office of Trade Sanctions Implementation ("OTSI") will work with industry to make complying with sanctions obligations as straightforward as possible by issuing guidance and user-friendly online tools.

There has been overwhelming support from business in implementing sanctions against Russia, and the vast majority of businesses comply. For the minority that don't, OTSI will have powers to publish information about sanctions breaches and impose civil monetary penalties."

AUDITING / ETHICAL / ASSURANCE STANDARDS:

ICAEW GUIDANCE ON AUDITING CRYPTOCURRENCIES:

ICAEW has issued extensive guidance, available on their website, which offers practical guidance on auditing cryptocurrencies, which should be referred to prior to undertaking any audit engagement which includes consideration of such assets.

ACTION FOR FIRMS
As this is an emerging area which creates different audit risks and in which there is little guidance, this should be regarded as essential reading for anyone auditing cryptocurrency holdings.

ACCOUNTING STANDARDS:

UPDATED ACCOUNTING STANDARDS PUBLISHED:

The Financial Reporting Council ("FRC") has issued new September 2024 editions of UK and Ireland financial reporting standards and their Press Release states:

"This encompasses all amendments issued to date, including the 'Periodic Review 2024 amendments', and provides an up-to-date reference point for each publication. For further details on the key changes following the Periodic Review 2024, the FRC previously produced a summary podcast, webinar recording and overview document for stakeholders.

Stakeholders are reminded that some previously issued amendments are not mandatory until future reporting periods. Earlier editions, and separate details of each amendment, continue to be available on the FRC's website.

In addition to the September 2024 editions of UK and Ireland Accounting Standards, the FRC will also be publishing updated staff factsheets to support preparers implementing the 'Periodic Review 2024 amendments'."

HAT RESPONSE
Time has been set aside to update methodologies (including disclosure checklist) and to prepare training material to ensure that firms are equipped to deal with these changes.

ACTION FOR FIRMS
As the key changes relate to revenue recognition and leases, it is advisable to identify clients who will be affected and that there is early communication of these changes to them.

ANTI-MONEY LAUNDERING:

AMENDMENTS TO FATF "GREY" LIST:

Following the conclusion of the most recent meeting of the Financial Action Task Force ("FATF"), their Press Release indicates the following amendments to the FATF Grey List:

"Jurisdictions under Increased Monitoring:

Jurisdictions under increased monitoring are actively working with the FATF to address the strategic deficiencies in their regimes to counter money laundering, terrorist financing and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to implement an Action Plan to resolve swiftly the identified strategic deficiencies within agreed timeframes.

At this Plenary, the FATF added Algeria, Angola, Côte d'Ivoire and Lebanon to the list of jurisdictions subject to increased monitoring.

Jurisdictions no longer under Increased Monitoring:

The FATF Plenary congratulated Senegal for its significant progress in addressing the strategic anti-money laundering, countering financing of terrorism and countering financing of proliferation (AML / CFT / CPF) deficiencies previously identified during its mutual evaluation. Senegal has completed its Action Plans to resolve the identified strategic deficiencies within agreed timeframes and will no longer be subject to the FATF's increased monitoring process."

ACTION FOR FIRMS
As changes to the FAFT Grey List take immediate effect in the UK, for clients with links to any of the above, these should be identified and where necessary, additional documentation obtained.

FIRST OFSI FINANCIAL PENALTY REGARDING RUSSIAN SANCTIONS:

The Office of Financial Sanctions Implementation ("OFSI") has imposed the first monetary penalty under the Russian sanction's regime, with their report summarising that this relates to a concierge company providing services to high-net-worth individuals.

They were fined £15,000 after providing property management services to a designated person, which included rent collection, making and facilitating payments, which amounted to £15,487.30. As there was no voluntary disclosure to OFSI, there was no discount applied to the financial penalty, which can provide a reduction of up to 50% of the penalty applied.

ACTION FOR FIRMS
The consequences of acting for a sanctioned client can be severe and as such, identification of clients who are subject to sanctions is essential to avoid firms being subject to financial penalties.

ANNUAL ICAEW AML SUPERVISION REPORT:

ICAEW has published its 2023 / 24 AML Supervision Report.

The failings largely relate to updating CDD, firm-wide risk assessments, ongoing monitoring, training and reporting discrepancies in the PSC Register. The root cause analysis performed by ICAEW in respect of these failings conclude the following:

- Lack of knowledge / understanding of regulations;
- Lack of understanding of risk;
- 'It will never happen to me'; and
- Insufficient resource allocated to anti-money laundering compliance.

ACTION FOR FIRMS
HAT Group provides refresher and update training and can provide consultancy to ensure that regulated entities are not making similar mistakes in this area.

ICAEW / ACCA / REGULATORY:

AMENDMENTS TO ICAEW / ICAS AUDIT REGULATIONS:

There are a number of confirmed / proposed amendments to the Institute's Audit Regulations, which are summarised in an article on the ICAEW website:

"A number of amendments to different sections of the UK Audit Regulations are currently in progress, with some approved changes now seeing an introduction date and other proposed changes at the consultation stage.

Changes effective 1 October 2024:

During 2023 we consulted on proposed changes to clarify that registered auditors must ensure that they and their staff comply with their professional body's CPD regulations. Respondents were broadly in support of these amendments, and they are therefore coming into effect on 1 October 2024, along with:

- Changes to the eligibility criteria to make it absolutely clear that where a firm's constitution, however comprised, includes certain decisions that need more than a simple majority-vote for approval, that audit-qualified persons must be able to control any such 'super-majorities'. These changes are complex and therefore more information on these eligibility-related changes has been published separately. Firms will have until 1 April 2025 to comply;
- Changes to the eligibility criteria to allow audit qualifications of certain overseas individuals to now be recognised in the UK; and
- Updating the Audit Regulations to refer to a firm's obligations under ISQM 1 and thereby removing all superseded references to ISQC 1.

Changes planned for 2025:

When the changes relating to CPD were proposed, we also consulted on two other amendments:

- Extending the powers of ICAEW's Audit Registration Committee ("ARC") to enable it to issue regulatory penalties and impose restrictions on R.I.s as well as firms; and
- The introduction of compulsory alternates for sole practices.

Latest consultation: notification of the movement of audits:

ICAEW proposed to make changes to the UK Audit Regulations and Guidance which will require audit registered firms to notify ICAEW when they are appointed as auditors to certain entities. Notification would also be required where audit fees are significantly higher than fees in the firm's existing portfolio. The aim is to increase the transparency of the movement of these audits between audit firms. The consultation is now closed and we are reviewing the responses we received before deciding on the next steps."

ACTION FOR FIRMS
The key change relates to audit firm eligibility, with voting rights (particularly for limited company audit firms) being one area where firms must review the new rules and their own constitutions to ensure they remain eligible to be Statutory Auditors.

CHARITIES:

SEARCHABLE REGISTER OF SCOTTISH CHARITY TRUSTEES:

The Scottish Charity Regulator ("OSCR") has highlighted two amendments to Scottish charity law which came into force on 1 October 2024, relating to a charity's connection to Scotland and a public Record of Removed Persons. Their Press Release states:

"OSCR's website now has a publicly searchable record of people removed from being concerned in the management and control of a charity. Charities should always check if a trustee is eligible to take up the position before they start and should regularly review the disqualification criteria against its existing trustees.

Also, charities on the Scottish Charity Register must be able to demonstrate a connection to Scotland when conducting their activities. A small number of charities have already been contacted by OSCR to clarify their existing connection to Scotland ahead of this change, or to resolve any issues."

CLIENT MONEY:

LSB ENFORCEMENT ACTION AGAINST SRA:

The Legal Services Board ("LSB") commissioned an independent review of the Solicitors Regulation Authority's ("SRA") actions before it closed Axiom Ince Limited, which has led to the LSB initiating enforcement action against the SRA. When Axiom Ince stopped trading in October 2023, approximately £60 million in client money was missing and approximately 1,400 people lost their jobs.

The key findings of the independent review regarding the SRA's approach to their regulation of solicitors holding client money include:

- The SRA has a light touch approach to ensuring compliance with their accounts rules;
- Whilst the SRA requires firms to obtain an annual accountant's report, this is only required to be submitted if it is qualified, with there being no other check as to whether firms have obtained an accountants report, which creates an opportunity for firms not to obtain an accountant's report and hide their financial failings with minimal risk of detection;
- As the investigation into Axiom Ince, which was unrelated to that entity's client account identified the SRA's concerns, it is insufficient for the SRA to rely on inspection visits to provide an opportunity to check an entity's client account; and
- The SRA's controls and checks regarding client money are inadequate, given risks associated with this activity.

Whilst it is likely to take some time for there to be an outcome to this enforcement action and / or any amendment to the SRA Accounts Rules, audit firms when undertaking an SRA Accounts Rules engagement should remain sceptical. There should also be an expectation of a future tightening of the SRA's approach to oversight of compliance with client money requirements.

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