Updates and Insights

January 2025

Edited by Simon Kettlewell

HAT

YOUR COMPLIANCE PARTNER

CENTRALPOINT, 45 BEECH STREET, LONDON, EC2Y 8AD

Welcome

Welcome to the first HAT Updates and Insights of 2025, and the first with a new editor! Andrew has passed over the reins at what feels like the opportune time; we are on the cusp of an awful lot of technical and regulatory changes, which ultimately means I am going to be very busy writing training materials and updating methodologies. As always, we will keep you up to date with the impact of these changes but at the minute, it is very much a case of the calm before the storm.

Despite this, 2025 has got off to a busy start for the HAT team:

- We had a great couple of days away in St Albans for our Team conference. A packed schedule covered teambuilding, marketing, strategy, clients and technical matters, as well as planning for a little celebration…
- Plans are being made to commemorate HAT turning 50 this year. You will begin seeing recognition of this over the coming weeks.
- We have a raft of new courses to offer, including an introductory package covering the legal and regulatory obligation for new starters, Kick Start Your Career and Presentation Skills; further details are set out on the next page.
- We have a revamped Managers course for 2025; see page 3 for details
- Our audit methodology is now available in Caseware Cloud, further to a lot of work undertaken by Getrude during 2024. Further details can be found later in the document. If you have any questions or would like to test the Caseware Cloud product, please reach out to Getrude@hatgroup.co.uk.
- We have started interviewing for another member of the Technical team, due to the continued increase in our workload. If anyone is interested in moving into a technical role with a significant focus on file reviews (or indeed knows anyone who may be interested), please get in touch.

Finally, in the last Update, Andrew referred to the changes to ISA (UK) 600 for group assignments. We were pleased to release our updated methodology for this in October, and our software partners have released updated content packs covering the changes. The revised standard represents a significant change in approach for group and component auditors and we have an on-demand course to support you in adopting these changes; details are here.

Simon Kettlewell - Technical Director

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Contact Us

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020 7213 9911

Technical Helpline

technical@hatgroup.co.uk

Recruitment and student exam training queries

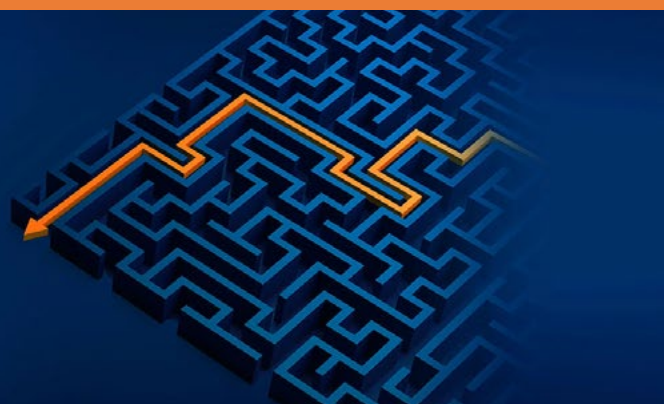
anna@hatgroup.co.uk

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



NEW COURSES FOR 2025

We are pleased to offer a range of new courses this year.

NEW STARTER INTRODUCTORY PACKAGE

This package of on demand training modules is designed to provide new trainees with an understanding of their legal and regulatory obligations when joining an accountancy firm. Modules include:

- Introduction to Anti-Money Laundering
- GDPR – Understanding your responsibilities
- Introduction to the Bribery Act
- Introduction to the Criminal Finances Act
- Introduction to Ethics (available soon)

The package consists of around 2.5 hours of teaching with instant knowledge quizzes to evidence understanding.

KICK START YOUR CAREER

This full day, in-person training course will provide new joiners with a solid understanding of the first few months of their careers.

The course will allow students to be aware of the expectations of them when they are working in the office, out on-site or at college. The delegates will be able to network and settle into their new roles. The course will be interactive, using case studies to solidify understanding, with plenty of opportunities for the delegates to ask any questions. The delegates will be introduced to resources to assist them in taking responsibility and ownership of their career in the first few months.

PRESENTATION SKILLS

The objective of the course is to teach delegates the skills and techniques that will give both the confidence and competence to enjoy making presentations. Presentation training allows delegates to build on their existing presenting skills to enhance their style and technique. Using PowerPoint as a software tool allows their presentations to have structure and gives visual impact to their professional presentations.

Why is the course different to other presentation skills courses?

The course is not a generic presentation skills course. The topics allocated to the delegates to prepare and present are tailored and relevant to the delegates' current and future professional service stream in the practice e.g. audit, accounts preparation and taxation.

ROOT CAUSE ANALYSIS

ISQM (UK) 1 requires ongoing monitoring of risks to audit quality. Part of this ongoing monitoring requires firms to consider the results from inspections of completed engagements (which are more commonly known as cold file reviews). The results of cold file reviews will need to be considered on a periodic basis and a root cause analysis performed on identified deficiencies, and indeed on files where good practice has been identified.

Our Root Cause Analysis (RCA) course can be tailored to be specific to firms, but will cover areas such as the importance of RCA, how it should be performed, the benefits of implementing RCA, and how the findings should be incorporated into the firm's quality management system moving forwards.

CAREER DEVELOPMENT COURSES

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

SUBJECT	DATE	VENUE	NOTES
Introduction to Accounting	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	8 – 11 September 2025	London	
Advanced Accounting	5 – 6 June 2025	London	
Practical Auditing	23 – 27 June 2025 20 – 25 October 2025	Residential – venue TBC	
A Practical Introduction to UK Tax	23 July 2025	London	
A Practical Introduction to UK GAAP	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	1 – 4 April 2025	Residential – venue TBC	
Managers Course	**Day 1:** 26 February 2025 **Day 2:** 26 March 2025	London	

MANAGERS COURSE: A REVAMP FOR 2025

The Managers course will now be split over two days. Booking on this course will provide numerous benefits, both for personal development and organisational success. Delegates will be able to enhance their understanding of their current management style. Attendance will lead to an improved understanding of how to make better decisions and communicate more effectively with colleagues. Over the two days, the delegates will see their confidence increase, and the course provides valuable networking opportunities.

FURTHER INFORMATION

Full details of the Career Development courses can be found on the HAT website here.

Should a firm require any other information about our Career Development courses, please contact Kate McCaffrey.

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

To support your team when undertaking specialist assignments, we have developed 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.

These modular, easy to digest webinars are designed for staff members who are new to, or less experienced in, these sectors. Each webinar will 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.

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	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				
Charity Audit & Independent Examinations	1	£105	£135	
SRA Accounts Rules	1	£105	£135	
Pension Schemes	1	£60	£80	

** 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

Updates to the HAT Methodologies

The following updates have been released in past twelve months:

REFERENCE	DATE	CONTENT
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
TM 07/24	12 December 2024	HAT Corporate Audit methodology – January 2022 (12-24 Update)

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

A summary of our current methodology 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 methodology are available from our partners, CaseWare and MyWorkPapers. For full details of the availability of our documentation within these platforms please contact us.

CASEWARE CLOUD TEMPLATE NOW AVAILABLE!

We are pleased to announce that the HAT methodology is now available on the Caseware Cloud platform.
The intuitive and powerful solution streamlines the audit process, enabling enhanced efficiency and compliance. Whether you're looking to improve audit quality, enhance team collaboration, or simply reduce manual tasks, Caseware Cloud Audit has you covered.

WHY CASEWARE?

CLOUD-BASED

Staff in multiple locations can collaborate on the same audit engagement, accessing the latest client data and updating stakeholders from anywhere, at any time.

INTELLIGENT FILE BUILDING

The intelligence file building workflow displays documents and procedures relevant to the audit engagement you're working on.

REVIEW TOOLS

Quickly review engagements and identify issues accurately through the simple, colour coded visualisation tool – enabling you to provide value-added insights to your clients.

RISK MANAGEMENT

New and existing risks can be added and updated at any time. Easy visualisation cues allow you to easily see if an assessment is higher than materiality.

INTELLIGENT CONTENT

Using client data and responses to pre-set questions, online content is tailored to provide only what is relevant for the engagement at hand, saving you time and increasing your efficiency.

INTEGRATED ANALYTICS

Our analytics hub feature provides access to over 300 tests across 8 audit applications, helping you uncover hidden patterns or anomalies.

CASEWARE AIDA

Seamlessly integrates with Caseware AiDA, combining the power of AI with the latest compliance frameworks to deliver unparalleled efficiency, compliance and precision.

To find out more about Caseware Cloud Audit, please email getrude@hatgroup.co.uk.

FUTURE CHANGES TO OUR METHODOLOGIES

As outlined in the Technical Update section, changes to methodologies will be needed to reflect the changes in company size criteria. Time has been set aside later in the year to deal with these changes.

An update to the LLP Methodology will be released in the coming weeks as a result of the amendments made to the LLP SORP, which is effective for periods commencing on or after 1 July 2024.

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

INCREASE IN COMPANY SIZE THRESHOLDS:

The Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024 (S.I. 2024 / 1303) come into force on 6 April 2025 and have effect in relation to financial years beginning on or after that date.

Firstly, the Regulations increase the turnover and balance sheet thresholds to determine the size of a company / LLP for reporting and audit purposes. The new thresholds for an entity to qualify are (in each case, not being more than):

	TURNOVER	GROSS ASSETS	EMPLOYEES
Micro-entity	£1,000,000	£500,000	10
Small company / group (net)	£15,000,000	£7,500,000	50
Small group (gross)	£18,000,000	£9,000,000	50
Medium company / group (net)	£54,000,000	£27,000,000	250
Medium group (gross)	£64,000,000	£32,000,000	250

In the first year that the new thresholds apply, the Regulations include a transitional provision which enables a company / LLP to be a micro-entity or to be small or medium-sized in any previous year in which it would have met the qualifying conditions if these amendments had had effect in relation to that year.

Secondly, the Regulations remove certain disclosure requirements in the directors' report. No company will be required to include disclosure on the employment of disabled persons. Also, large and medium-sized companies will not be required to include information on financial instruments and disclosure on their engagement with employees, suppliers, customers and others.

HAT RESPONSE
Time has been set aside later in 2025 to update HAT Methodologies to reflect the amended thresholds and disclosure requirements.

ACTION FOR FIRMS
Clients affected by the changes should be identified and it should be discussed with them whether any forward planning is required.

CORPORATE OFFENCE OF FAILURE TO PREVENT FRAUD:

The Economic Crime and Corporate Transparency Act 2023 (Commencement No. 3) Regulations 2024 (SI 2024 / 1108) bring into force measures creating a new offence of failing to prevent fraud across all of the UK on 1 September 2025. These apply to large companies (as defined by the Companies Act 2006) and other entities which meet the same size criteria. This is accompanied by statutory guidance issued by the Home Office and their Press Release includes:

"We've published guidance that will provide organisations with important advice on the new corporate criminal offence of 'failure to prevent fraud', helping make sure they are taking action to prevent fraud.

Introduced as part of the Economic Crime and Corporate Transparency Act 2023, the offence is intended to hold large organisations to account if they profit from fraud. Under the offence, large organisations may be held criminally liable where an employee, agent, subsidiary, or other "associated person", commits a fraud intending to benefit the organisation. Examples may include dishonest sales practices, the hiding of important information from consumers or investors, or dishonest practices in financial markets.

In the event of prosecution, an organisation would have to demonstrate to the court that it had reasonable fraud prevention measures in place at the time that the fraud was committed. The offence is intended to encourage organisations to build an anti-fraud culture, in the same way that failure to prevent bribery legislation has helped reshape corporate culture since its introduction in 2010."

ACTION FOR FIRMS
Clients affected by these requirements should be identified. It should be confirmed they are aware and are taking steps to comply.

ENACTMENT OF ECONOMIC CRIME PROVISIONS:

Two sets of regulations have been made under the Economic Crime and Corporate Transparency Act 2023:

- The Companies and Limited Liability Partnerships (Protection and Disclosure of Information and Consequential Amendments) Regulations 2024 (S.I. 2024 / 1377). These amend the disclosure of usual residential addresses regime and come into force on 27 January 2025; and
- The Information Sharing (Disclosure by the Registrar) Regulations 2024 (S.I. 2024 / 1378). These permit Companies House to share information with certain specified insolvency practitioners so that they can fulfil their functions and came into force on 20 December 2024.

ACCOUNTING STANDARDS:

FRC ISSUES UPDATED FRS 102 FACTSHEETS:

The Financial Reporting Council has issued an updated suite of factsheets following the Periodic Review 2024 amendments to FRS 102, which provide additional guidance for specific aspects of the new requirements.

Three new factsheets have been published which relate to the significant changes to FRS 102, along with new versions of Section 20 'Leases' and Section 23 'Revenue from Contracts with Customers'.

HAT RESPONSE
Time has been set aside later in 2025 to update HAT Methodologies to reflect the new measurement and disclosure requirements.

PROPOSED AMENDMENTS TO FRS 101:

FRED 86 'Draft amendments to FRS 101 Reduced Disclosure Framework' sets out a number of proposals that aim to ensure that FRS 101 will continue to provide cost-effective disclosure reductions for those entities applying the Standard. It is open for comment until 7 March 2025 and proposals include:

- A new exemption from some new requirements in IFRS 18, including those that require disclosure in relation to management-defined performance measures; and
- An amendment preventing qualifying entities from applying both FRS 101 and IFRS 19.

ICAEW / ACCA / REGULATORY:

ICAEW DISCIPLINARY CASES:

Included in recently published ICAEW disciplinary decisions are the following:

CASE NUMBER ONE:

- "[A member], during the audit of 'A' Ltd, asked a junior member of staff to select the sales sample for the audit of 'A' Ltd from a source which he knew was contrary to the instruction of the audit manager. This conduct lacked integrity because he knew that he was not following the audit planned procedures by selecting the samples the way he did, which would cause the audit test to fail and this conduct breached R111.1 of ICAEW's Code of Ethics (effective 1 January 2020);
- [A member], during the audit of 'A' Ltd asked a junior member of staff not to tell the audit manager that he had asked her to select the sales sample from a source which he knew was contrary to the instruction of the audit manager. This conduct lacked integrity because he intentionally asked a junior member of the audit team to conceal information from the audit manager with the intention of preventing the audit manager from knowing that her instructions had not been followed and this conduct breached R111.1 of ICAEW's Code of Ethics (effective 1 January 2020);
- Order: Severe reprimand, Fine £1,000, Costs £4,000.

CASE NUMBER TWO:

- "[A member] submitted, as a record of work done, false timesheet entries, to his employer, 'A' LLP. This conduct was dishonest because he knew that he had not undertaken the work activities shown in the entries he submitted on his timesheets. In total, he booked 62 hours of time under ten different entries over a three-week period for work he had not carried out. It is alleged that, by creating these false entries on his timesheets, he had acted dishonestly (Allegation 1) and / or in breach of the fundamental principle of integrity in the Code of Ethics (Allegation 2);
- Order: Severe reprimand, Fine £7,000, Costs £10,000."

PROPOSED AMENDMENTS TO ICAEW CODE OF ETHICS:

Advising an imminent update to its Code of Ethics, the ICAEW's Press Release includes:

"ICAEW's Code of Ethics is to be updated in March 2025, following amendments to the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and changes introduced by the ICAEW Council. ICAEW's current code came into force in 2020 and projects undertaken by IESBA since then means that there will be many changes in the forthcoming update to ICAEW's code.

Two of the most significant sets of changes relate to:

- The role and mindset provisions, which highlight the importance of the profession's duty to act in accordance with the public interest and reinforce the need for all professional accountants to have an inquiring mind, be mindful of bias and exercise professional scepticism when undertaking audit, assurance and review work; and
- New technology provisions, which highlight the potential risks that new technologies pose for the profession and reinforce the fundamental principles of professional competence and due care, and confidentiality. They also clarify independence requirements and the circumstances in which firms and network firms may not provide a technology-related non-assurance service to an audit or assurance client.

In the run-up to formal approval of the updated code by ICAEW Council in March 2025, there will be articles explaining the key changes. An overview of the changes will be included in the new Ethics CPD module being released this year and ICAEW intends to hold a webinar for members in the first week of April."

HAT RESPONSE
Time will be set aside to update HAT Methodologies this year to reflect the amended requirements, once these have been finalised.

CHARITIES:

UPDATED CHARITY COMMISSION GUIDANCE ON CYBERCRIME AND FRAUD:

The Charity Commission has unveiled a refreshed suite of guidance to help trustees protect their charities from fraud and cyber crime and their Press Release states:

"The charity regulator has published bespoke guidance on how trustees can protect their charity from cyber crime and a separate shorter guide on fraud. These replace previous guidance, are more concise and easier to use.

The fraud guide explains what to do if fraud or attempted fraud is discovered at a charity and provides tips on how to reduce the risk of fraud taking place. It explains the importance of having robust internal financial controls.

Cyber fraud is a key area of concern for many organisations that handle money and personal data. The regulator has identified the most common type of cyber enabled fraud experienced by charities is phishing attempts.

Both guides highlight the importance of reporting all fraud attempts, including those that failed, to Action Fraud. Fraud is underreported, with many hesitant to report incidents. Reporting enables trustees to get the support they need and means there is a more accurate picture of how fraud is affecting the sector."

CHARITY SORP FRS 102 (THIRD EDITION):

The Charity SORP's website provided the following update on 3 December 2024:

"The SORP-making body are currently finalising the drafting of the next version of the SORP. The draft SORP will be subject to a 12-week public consultation, anticipated to go live March 2025.

The attached provides further detail on the project timeline and highlights some of the key changes in FRS 102 that charities need to be aware of and consider."

HAT RESPONSE
Time will be set aside to update HAT Methodologies in 2026 to reflect the amended requirements, once these have been finalised.

CLIENT MONEY:

SRA ACCOUNTANT REPORT CHECKS:

The Solicitors' Regulation Authority ("SRA") has issued the following Press Release regarding spot checks on Accountant Reports:

"The number of accountants' reports submitted to us each year is falling. While that might mean that some firms are now more compliant, it could also suggest there are issues to address.

We will be conducting spot-checks on a number of firms in the New Year to make sure that they have obtained a recent accountant's report. Firms asked to take part will receive an email in December advising what will be involved. We will contact you again in January once the window for returning the required information is open. For those firms contacted, providing a reply to this request will be a regulatory requirement."

SRA CLIENT MONEY CONSULTATION:

The SRA has launched a consultation on how client money is handled in the legal sector and their Press Release includes:

"As part of our ongoing review of consumer protection arrangements in the legal sector, we are consulting on potential changes (until 21 February 2025) to how and when law firms handle client money, and how this money is protected.

Among the key issues explored in the consultation are:

- Whether in a digital age, and with feasible / credible alternatives becoming more available which may be better at safeguarding client's money, in the longer term is it still necessary or desirable for firms to hold client money as widely as currently the case, or at all;

- If rules around interest earnt on client accounts, or how long firms can hold client money after the end of a case, need changing so they better serve client's interest; and
- If changes are needed in terms of the controls, checks and balances firms are obliged to have in place to protect money held in client accounts. This includes obligations regarding accountants' reports and certain rules regarding control and oversight over client money."

ACTION FOR FIRMS
Whilst changes remain some way off, firms preparing an accountants' report should be aware of the increasing interest which the SRA will take into both qualified and unqualified reports.

DISCLAIMER NOTICE:

With regards to the technical articles in this newsletter, every care has been taken by HAT in the preparation of these articles; HAT does not guarantee the accuracy or veracity of any information or opinions. No responsibility for loss occasioned to any person, acting or refraining from acting, as a result of material contained within these articles can be accepted by the editor, HAT, its officers or employees.

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