Updates and Insights

September 2025

Edited by Simon Kettlewell

HAT 50 YEARS
YOUR COMPLIANCE PARTNER

150 MINORIES, LONDON, EC3N 1LS

Welcome

Welcome to the latest edition of HAT Updates and Insights.

I hope you had a good summer and had the chance to recharge the batteries.

At HAT, the summer period traditionally sees work being performed on our core audit methodology. The updated methodology will be released on 1 October and includes the new company size thresholds, as well as a few other changes, some of which are in response to feedback from users. The Technical Memo will explain the changes that have been made and where relevant, the changes will be covered in the Quarter 4 CPD update.

We were delighted to welcome a large number of new starters on to our Intro to Accounting and Intro to Audit courses recently; it is great to see so many new entrants into the profession. Remember that these courses are run in January/ February as well as August/September, so if you have new trainees joining between now and the new year, book them in for a practical start to their careers. See the 'Upcoming courses' section below for more details.

Back in the March edition of Updates and Insights, I made reference to the FRC's campaign to support UK SMEs to grow and scale, which now includes "a consultation on a Practice Note to support auditors in the application of International Standards of Auditing (ISAs) UK when auditing smaller and/or less complex entities" (details here) and a number of market studies. An update on this can be found in the Technical Update section below. I have been involved in a number of working parties and discussion groups on this subject, with both the FRC and ICAEW. I will continue to represent the interests of HAT member firms at such meetings and have more of these scheduled over the next few weeks.

Wishing you all the best for successfully navigating the September filing deadlines.

Simon Kettlewell - Technical Director

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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

Our website provides details of all our current courses.

Our next public CPD course will be "Effective Audit Review", which will be held on 15 October. Presented by Adam Loake, this course is designed to equip those team members who are reviewing the work of others for the first time with the necessary skills and mindset.

Ensuring that an effective review is performed is one of the key elements for the completion of a high-quality audit file. This CPD course provides those at Supervisor / Assistant Manager level and above the skills and confidence needed to complete a robust, timely and effective file review. This one-day course covers the following areas:

- An overview of the key elements of audit file review and finalisation procedures.
- How to focus a file review, including approaches to take to individual file areas and how to identify audit issues that may have been missed by more junior staff.
- Providing feedback to junior staff and documenting review notes.
- Liaising with clients and summarising key points for the attention of the RI.
- Practical tips for managing the review and finalisation process for audit assignments.

This course will involve a mixture of lecture sessions, discussions and the use of practical case studies to illustrate and apply the different elements of the course content.

Attendance at this full day, in-person course is charged at £195 per person for members, and £250 per person for non-members.

Courses can also be delivered "in-house"; the Effective Audit Review course works well delivered this way, and the content can be tailored to meet the specific requirements of the firm. Get in touch to discuss your needs further.

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 are provided below.

SUBJECT	DATE	VENUE	NOTES
Introduction to Accounting	26 – 30 January 2026	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	2 – 6 February 2026	London	
Advanced Accounting	TBC for 2026	London	
Practical Auditing	20 – 25 October 2025	Residential – Ipswich	
A Practical Introduction to UK Tax	TBC for 2026	London	
A Practical Introduction to UK GAAP	TBC for 2026	London	
Becoming an Effective Audit Senior	6 – 10 October 2025	Residential – Norwich	
Becoming an Effective Supervisor	11 -14 November 2025	Residential – venue TBC	
Managers Course	TBC for 2026	London	

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.

Updates to the HAT Methodologies

The following updates have been released in past twelve months:

REFERENCE	DATE	CONTENT
TM 01/25	1 July 2025	HAT LLP's Methodology – July 2024
TM 02/25	4 August 2025	HAT Academies Methodology – August 2025
TM 03/25	Expected 1 Oct 2025	HAT Corporate Audit Methodology – 2025 Update
TM 04/25	Expected 1 Oct 2025	HAT Groups Methodology – 2025 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

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.

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:

COMPANIES HOUSE CONFIRMS DATE FOR ID VERIFICATION ROLLOUT:

Companies House has confirmed the effective date for the rollout of requirements to verify your identity and their Press Release includes:

"From Tuesday 18 November 2025, legal requirements for directors and people with significant control (PSCs) of companies to verify their identities will begin:

- New directors will need to verify their identity to incorporate a company or be appointed to an existing company;
- Existing directors will need to confirm they have verified their identity at the same time as they file their next annual confirmation statement, during a 12-month transition period; and
- Existing PSCs will need to verify their identity in line with an appointed day within 12 months of the commencement of mandatory identity verification on 18 November 2025.

We are phasing in identity verification over 12 months to provide the best support to all companies and individuals in scope of this new requirement. We estimate that 6 to 7 million individuals will need to verify their identity by mid-November 2026. For most people this will be a one-off process that can be done in a few minutes."

ACTION FOR FIRMS
Whilst this is a phased requirement, it is advisable to engage with clients to ensure that they verify their identity on a timely basis.

PROTECTION OF PERSONAL INFORMATION AT COMPANIES HOUSE:

The Protection and Disclosure of Personal Information (Amendment) Regulations 2025 (S.I. 2025 / 874) came into force on 21 July 2025. The Explanatory Note indicates that these Regulations allow individuals, such as company directors or persons with significant control, to apply to the Registrar of Companies to protect certain personal information from being made available for public inspection on the register. The amendments also extend to information held by Companies House in respect of limited liability partnerships.

AUDITING / ETHICAL / ASSURANCE STANDARDS:

FRC FINDINGS INTO SME AUDIT MARKET:

The Financial Reporting Council ("FRC") has published findings from a study examining how effectively the audit market serves small and medium-sized enterprises ("SMEs"). It has launched a consultation on new guidance to help auditors deliver more proportionate audits of these businesses, and its Press Release includes:

"This guidance and the emerging findings report are part of the FRC's year-long campaign to help SMEs access audit services and reduce reporting burdens where possible. The SME audit market is substantial, with around 2,000 firms undertaking over 70,000 statutory and non-statutory audits annually, generating fees of approximately £1.5 billion.

The emerging findings – produced following engagement with more than 500 stakeholders including SMEs, capital providers, auditors and professional bodies – include a lack of scalability in auditing standards (including the need to perform unnecessary work), technology creating opportunities and challenges, statutory audits not being proportionate to provide appropriate assurance and knowledge / resource constraints impacting the efficiency of the audit process.

The FRC is already engaging the whole UK audit ecosystem to take action in response to these findings. Alongside the interim report, the FRC has launched a consultation on a Practice Note providing guidance for auditors on applying standards in a more proportionate and effective way for SME audits. Additionally, the FRC will convene stakeholders to explore and develop technological solutions tailored for smaller audit firms."

HAT RESPONSE
HAT will closely monitor progress on the Practice Note and once this has been finalised, appropriate amendments will be made to our methodologies and new training tools prepared.

ETHICS ALERT REGARDING PRIVATE EQUITY IN THE PROFESSION:

The International Ethics Standards Board for Accountants ("IESBA") has issued a Staff Alert highlighting key ethical matters that accounting firms should pay particular attention to when considering or accepting investment from private equity ("PE") organisations.

Their Press Release states that the Staff Alert highlights various possible ethical and independence implications arising from PE investment in accounting firms. It also emphasises the importance of firms maintaining ongoing monitoring for changes in clients, services, business and network relationships, and other relevant factors with potential ethics and independence implications, both during the pre-investment phase and after completion of the PE transaction and continuing to act in the public interest.

As ethical requirements in the UK are derived from the IESBA Code of Ethics, these observations are relevant to UK firms which have received PE backing.

ACTION FOR FIRMS
Firms which have received private equity backing should make themselves aware of the content of this Staff Alert in order to ensure that any potential pitfall can be identified and acted upon.

ACCOUNTING STANDARDS:

UK ADOPTION OF IFRS 7 / 9 AMENDMENTS:

The UK Endorsement Board has adopted Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity issued by the IASB in December 2024. Their Press Release indicates that the primary amendments:

- "Introduce application guidance in relation to the "own-use" exception as set out in paragraph 2.4 of IFRS 9 for certain contracts to purchase nature-dependent electricity;
- Permit hedge accounting in certain circumstances where the hedging instrument is a contract referencing nature-dependent electricity; and
- Introduce new disclosure requirements to provide information about the effects of contracts within the scope of the Amendments on an entity's financial performance and cash flows."

The Amendments are effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted.

HAT RESPONSE
These requirements will be reflected within disclosure checklists in the HAT Corporate Audit methodology for December 2026 year ends.

FRC CONSULTATIONS LAUNCHED:

The FRC has issued a number of consultations as part of its scheduled July release and their Press Release states:

"FRED 87: FRS 102 Amendments:

The FRC has issued Financial Reporting Exposure Draft (FRED) 87, proposing limited scope amendments to FRS 102 to follow the recent changes to IFRS Accounting Standards. These amendments are proposed to maintain the existing level of alignment following recent changes to IFRS Accounting Standards. Those entities that do not choose to adapt their financial statement formats under FRS 102 will not be impacted by these amendments.

Taxonomy Suite 2026:

The FRC has published a draft of the 2026 Taxonomy Suite, welcoming feedback on its draft changes concerning recent amendments to IFRS 7, FRED 85, the Charities SORP 2026 and more."

HAT RESPONSE
HAT will closely monitor progress on the Exposure Draft and once this has been finalised, appropriate amendments will be made to our methodologies and appropriate training will be prepared.

ANTI-MONEY LAUNDERING:

PROCEEDS OF CRIME THRESHOLD AMOUNT:

The Proceeds of Crime (Money Laundering) (Threshold Amount) (Amendment) Order 2025 (S.I. 2025 / 877) came into force on 31 July 2025. The Explanatory Note indicates the following:

"This Order increases from £1,000 to £3,000 the threshold amounts specified in the Proceeds of Crime Act 2002, section 339A (6A) ("POCA"). The threshold amount is the value of criminal property below which a person carrying on business in the regulated sector (as defined in Part 1 of Schedule 9 to POCA) can return money or other property to a customer or client, in order to end their business relationship, without committing one of the money laundering offences in sections 327 to 329 of POCA."

The Home Office has updated their guidance on the exemptions from the money laundering obligations and money laundering reporting obligations in the Proceeds of Crime Act 2002 to reflect the revised threshold.

NATIONAL RISK ASSESSMENT / ECONOMIC CRIME PRIORITIES:

HM Treasury has published the National Risk Assessment ("NRA") of Money Laundering and Terrorist Financing 2025. This is accompanied by publication by the National Crime Agency of nine economic crime priorities for the UK's regulated sector, which are indicated as being:

1. "Economic Crime & Sanctions Evasion facilitated by UK based or UK registered Professional Enablers, particularly evasion of sanctions linked to the Russian invasion of Ukraine;
2. Transaction flows and corporate structures associated with the abuse of power by overseas Politically Exposed Persons (PEPs);
3. Protecting the public by creating a cryptoasset ecosystem that is increasingly resilient to criminal abuse;
4. Criminal cash consolidation, cross-border movement and deposit into the UK banking system (including via the Post Office);
5. Money laundering in the UK or through UK corporate structures on behalf of the OCGs with links to priority Jurisdictions including, Albania, China, Russia, and the UAE. This includes the activity of International Controller Networks and Underground Banking;
6. Fraud perpetrated by international offenders against victims in the UK, including OCGs with links to criminality in priority Jurisdictions including, Ghana, Nigeria, India and Southeast Asia (with a focus on Cambodia, Laos and Myanmar);
7. The exploitation of money mules by mule herders running networks to obfuscate the origin, movement and cashing out of the proceeds of crime, often fraud, as well as for other purposes, including the financing of terrorism;

8. Tackling the significant percentage of the value of frauds in the UK which originate from a telecommunications service or online platforms; and
9. The financing of terrorist attacks or plots in the UK, or individuals or groups engaged in attack planning or propagating terrorist ideology."

ACTION FOR FIRMS
As each firm's AML Risk Assessment should take into account the NRA, firms should actively revisit theirs in conjunction with the updated National Risk Assessment.

HM TREASURY RESPONSE TO MLR CONSULTATION:

The government has published its response to the 2024 consultation on the Money Laundering Regulations ("MLR"), which indicates that the areas where it intends to make changes to the MLRs include:

- Enhanced due diligence on complex transactions;
- Enhanced due diligence on high-risk third countries;
- Due diligence on pooled client accounts;
- Regulation of sale of 'off-the-shelf' companies by Trust and Company Service Providers;
- Registration and change in control for cryptoasset service providers; and
- Registration requirements for the Trust Registration Service.

HM Treasury subsequently published draft Money Laundering and Terrorist Financing (Amendment and Miscellaneous Provision) Regulations 2025 ("the S.I.") alongside a note detailing the policy intention of the S.I. The consultation which runs until 30 September 2025 sets out the following as being the key proposed amendments which will impact accountants and auditors:

"Making customer due diligence more proportionate and effective:

- High-Risk Third Countries:
  - The S.I. updates when enhanced due diligence ("EDD") is required in relation to a person or transaction linked to a specific country. Firms are currently required to apply EDD to transactions or customers involving "high-risk third countries", which is in turn defined as any country on the FATF's 'increased monitoring' and 'call for action' lists. The S.I. narrows this to focus specifically on "FATF call for action countries", to ensure firms can direct their resources to jurisdictions which present the greatest risk to the UK;
- Complex and large transactions:
  - The MLRs currently require firms to apply EDD to all "complex or unusually large" transactions. However, this wording leads to confusion and, in some sectors, an overly cautious approach;
  - The S.I. clarifies that enhanced due diligence is required only for transactions that are "unusually complex or unusually large" relative to what is typical for the sector or the nature of the transaction. This refines the existing requirement to ensure that firms can focus their compliance efforts on transactions that present genuinely higher risks, rather than expending resources on routine transactions that do not warrant additional scrutiny.

Providing clarity on scope and registration issues:

- The S.I. converts all monetary thresholds for customer due diligence, reporting, and transaction triggers from euros to sterling (e.g. €10,000 becomes £10,000), with some thresholds adjusted to ensure the UK continues to meet standards set by the Financial Action Task Force."

HAT RESPONSE
HAT will monitor developments in this area. Once legislation has been finalised, time will be set aside to update documentation.

CLIENT MONEY:

ENHANCEMENT TO E-MONEY SAFEGUARDING:

The Financial Conduct Authority ("FCA") has issued Policy Statement PS25/12: Changes to the safeguarding regime for payments and e-money firms.

Their accompanying Press Release indicates they are strengthening the safeguarding regime to address weaknesses in firms' current safeguarding practices to better protect customers of payments and e-money firms that fail. These will become effective in two tranches (with the Supplementary Regime coming into force on 7 May 2026) and these tranches are:

- 'Interim rules' (the Supplementary Regime) to encourage greater compliance with existing safeguarding requirements, support more consistent record keeping, and strengthen reporting and monitoring requirements; and
- 'End-state rules' (the Post-Repeal Regime) to replace the current safeguarding requirements with a 'CASS' style regime.

The Policy Statement sets out the text of a new SUP 3A which will apply to the supervision of audit firms undertaking safeguarding audits and a new CASS 15 which sets out the requirements that payment services and e-money firms will need to comply with once the End-state rules come into force.

HAT RESPONSE
HAT will review the transitional requirements which apply to safeguarding audit requirements to identify the timing and extent of changes to the HAT FCA Client Assets Reports methodology.

FINANCIAL REGULATION OF "BUY NOW, PAY LATER" ENTITIES:

The FCA has advised that buy now pay later ("BNPL") agreements will come within their remit. The Press Release accompanying the consultation which runs until 26 September 2025 advises that the FCA's proposals include requiring lenders to check that people can afford to repay BNPL loans and to offer support if they get into financial difficulty.

There will be a temporary permissions regime in place, meaning firms will need to follow FCA rules and can continue to trade before they're fully authorised, which will be open two months before it comes into force on 15 July 2026.

HAT RESPONSE
Whilst it does not appear as though there will be any significant impact on the HAT FCA Client Assets Reports methodology, once requirements are finalised, a detailed review will be performed.

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