MEMO 02/26

To: Subscribers of the methodology
From: Andrew Jarvis
Date: 25February 2026

UPDATE TO THE HAT PENSION SCHEMES METHODOLOGY: 2025 UPDATE

The HAT Pension Schemes Methodology has been updated as part of the annual update cycle. As the core methodologies are now updated at least annually, we have amended our naming convention. This methodology has been re-named to be "Pension Schemes - 2025 Update". This change aims to give clarity to users that they are using the most up to date version.

There are no significant accounting standard or ISA changes affecting accounting periods commencing on or after 1 January 2025 (so typically 31 December 2025 year ends). Therefore, this update simply reflects changes made during 2025 to our Corporate Audit assignments methodology.

Ethical considerations (Ac2 and Ac3) have been updated in line with the revised FRC Ethical Standard and to increase the level of non-audit fees considered to be 'substantial' relative to the audit fees.

The materiality assessment (Ac13) has been updated to reflect changes in HAT's approach to materiality. For pension schemes financial statements, we now recommend assessing one materiality level based on investments, with separate levels of performance materiality for work on investments and other areas. In addition, there is still a recommendation of assessing a separate level of materiality for the auditor's statement on contributions.

There are a number of other minor changes throughout the methodology.

This update does not reflect the changes made to FRS 102 from the periodic review, which are effective for periods commencing 1 January 2026. These will be covered in the 2026 Update, to be issued at the end of this year.

Left hand footers now just refer to "Pensions". Where the documents have been amended in this update, the right-hand side footer states 02/26.

The updated methodology should be used for any accounting period commencing on or after 1 January 2025.

Users should download the Methodology IN FULL from the members area of our website.

We are always pleased to receive feedback on our methodologies; if you have any comments, please email andrew@hatgroup.co.uk