

March 2026



Audit News Spring 2026



Table of Contents

- 2025 Audit Monitoring visit findings 1**
 - Visit outcomes 1
 - Audit file quality 2
 - Common breaches of the ISAs 2
 - Common breaches of the Audit Regulations 2
 - Afterword **Error! Bookmark not defined.**
- Important communications with ICAS 3**
 - Alternate arrangements 3
 - Notification of significant changes in audit clients 4
 - Reporting of Ethical Standard breaches 4
- Important FRC announcements 5**
 - The FRC introduced its evolved approach to audit supervision 5
 - The FRC announced a package of measures to make audits more proportionate and efficient for SMEs 5
 - The FRC launched two calls for stakeholder feedback to support the development of UK audit policy 7
- Guidance note on the eligibility requirements in Audit Regulation 2.03 7**
- Emerging threats & issues 8**
 - Reminder on previous changes to the Ethical Standard relating to entities under common ownership 8
 - Falsified audit reports 9
 - Audit firm names 9
- ICAS Signposting 10**
 - Guidance note on required CPD hours for audit professionals 10
 - ICAS urges charities to prepare now for significant changes to their financial reporting obligations under the Charities SORP 2026 10
 - ICAS hailed Scottish charity audit threshold increase as a “significant and positive step” 10
 - James Barbour was the latest guest to feature on the CPD podcast platform LumiQ 11
 - ICAS responded to the UK Government scrapping the UK Audit and Corporate Governance Reform Bill 11
 - Christine Scott provided an update on charity financial threshold changes in England and Wales . 11
 - James Barbour wrote on the ICAS motto being embedded in the Ethics Equation 12
 - Christine Scott commented on recent targeted amendments to UK GAAP 12
- Wider Signposting 13**
 - The FRC released an 'In Conversation' podcast on the Audit Enforcement Procedure 13
 - Accountancy Europe published insights, trends and resources on Private Equity in accountancy & audit sector 13
 - The FRC set out its schedule for 2026 consultation windows 14
 - Richard Moriarty set out the FRCs priorities for the year ahead 14
 - The FRC published updated strategic report guidance 14

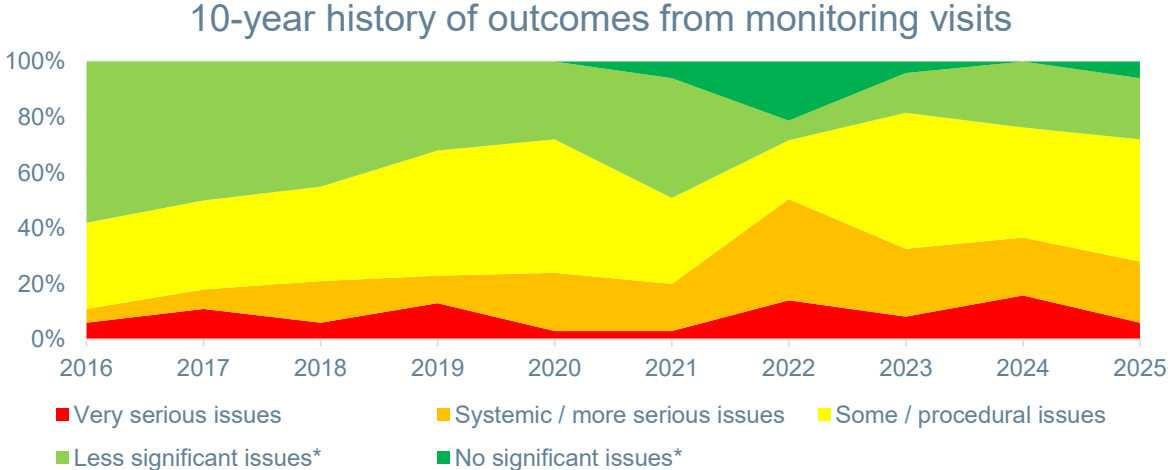
2025 Audit Monitoring visit findings

The monitoring team has published the common findings from our 2025 audit monitoring visits¹. The report highlights trends in audit quality, compliance with auditing standards, and identifies common areas for improvement. A brief overview of the report is set out below, but all firms should read the full report which gives further detail and includes examples of 'what good looks like' and case studies in good practice to give some helpful tips for compiling high quality files.

- 18 visits were done in 2025, slightly less than 2024. However, more audit files were reviewed.
- There was a slight improvement in visit outcomes, with more firms presenting positive outcomes and fewer firms presenting the poorest outcomes. Generally firms on a shortened cycle (due to poorer quality in the last visit) showed lower levels of audit quality than those on a statutory cycle.
- Audit file quality was slightly better than in recent years. 62% of files were graded as 'good' or only requiring 'limited improvement', which reflects the best levels of compliance since 2021.
- The most common ISA breaches remained the same as last year, relating to: audit documentation, risk assessment, fraud considerations, evidence, sampling and going concern.
- Common breaches of audit regulations were also fairly consistent with 2024, with common issues in: statutory requirements; acceptance and reappointment; compliance with ISQM1; and audit compliance reviews. There was also a concerning increase in firms presenting eligibility issue

Visit outcomes

It is positive to note that there was a general improvement in outcomes with more firms presenting positive outcomes, and fewer firms presenting the poorest outcomes. The Orange and Red visits in the chart below are those with significant audit quality concerns, ethical and/or integrity issues, or eligibility breaches. These visits are the most likely to lead to regulatory actions being taken.



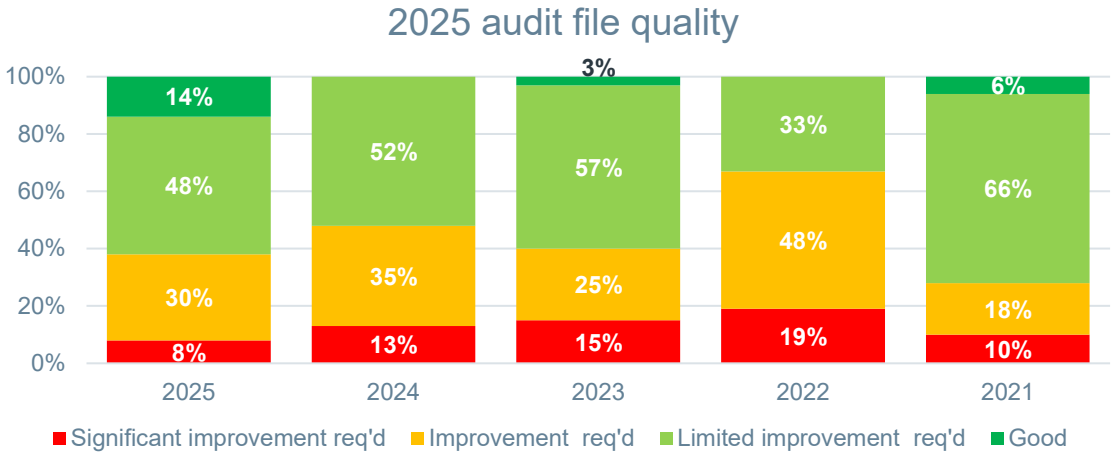
*NB. Data on the split between 'no significant issues' and 'less significant issues' before 2020 is not available

Firms visited under the statutory cycle continued to present better quality outcomes. These visits are limited to firms that have previously demonstrated strong audit quality and a clear commitment to compliance, and for which the monitoring team's ongoing risk assessment has not identified any heightened areas of concern. In contrast, shortened-cycle visits, and those required by the Authorisation Committee, have presented lower levels of audit quality and regulatory compliance. This suggests that previous quality or compliance issues are not being sufficiently remediated.

¹ <https://www.icas.com/regulation-technical-resources/documents/annual-reports-on-audit-monitoring-activities>

Audit file quality

Again, it is positive to note that file quality has been better than in recent years. 62% of files were good or only required limited improvement, which reflects the best levels of compliance since 2021. Further, 2025 had the lowest level of files that needed significant improvement in the last 5 years.

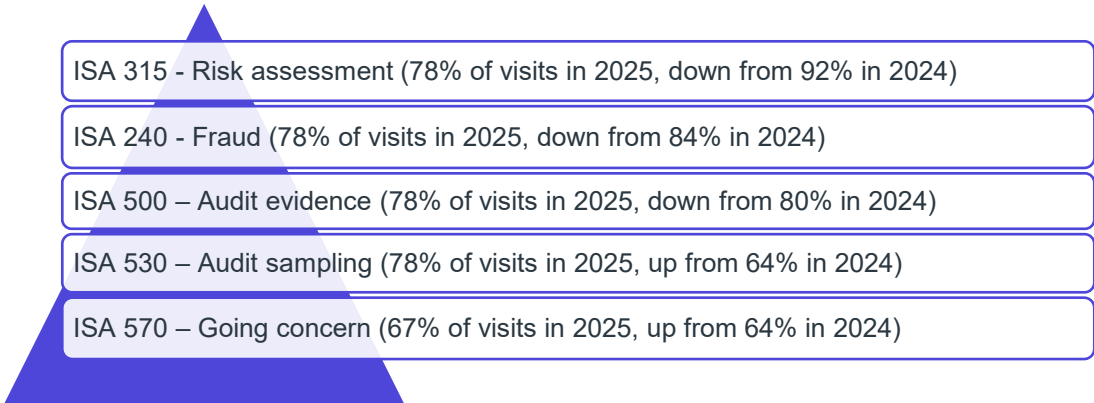


The visits completed in 2025 covered roughly a fifth of ICAS audit registered firms, and that coverage has remained fairly consistent with previous years. The overall number of the number of audit firms has continued to fall in recent years, which is a trend across all the RSBs. The recent file quality trends indicate that having more RIs specialising in audit (rather than it being a small element of a broader general-practice portfolio), and firms having access to economies of scale, may be influencing audit quality more obviously than in previous years. That is clearest when considering the number of 'Good' files in 2025, as these were all conducted by the largest firms. However, ¾ of the files that needed 'significant improvements' had also been conducted by larger firms. It is clear from the visit findings that firm size is not a determining factor when it comes to producing compliant files.

Common breaches of the ISAs

Weaknesses in audit documentation continue to be identified on almost all audit files reviewed. Beyond those, the most common ISA issues in 2025 were the same as those in 2024:

Top 5 – most common ISA breaches identified on 2025 monitoring visits



Common breaches of the Audit Regulations

Any monitoring visit that identifies a breach of an ISA, will also reflect a breach of Audit Regulation 3.10 "A Registered Auditor must comply with the auditing standards and the quality management standards". Other than that, the most common breaches of the Audit Regulations remained fairly consistent, with only one new entry in the five most common findings, albeit in a concerning area:

Top 5 – most common Audit Regulation breaches identified on monitoring visits

3.08 – Statutory requirements (67% of visits, up from 56% of visits in 2024)

3.03 – Acceptance / reappointment (61% of visits, down from 72% in 2024)

3.10 – ISQM(UK)1 (39% of visits, down from 52% of visits in 2024)

3.20 – Audit compliance review (22% of visits, down from 32% in 2024)

2.03 - Eligibility (**new entry** which has increased from 16% of visits to 22%)

Final thoughts

There is no getting away from the fact that much of the report bears striking similarities to last year, and indeed to a few years before that. There are clearly some areas of audit work where firms continue to struggle to ensure full compliance with the standards, and the full report should hopefully help firms identify and address those points. However, there are positive messages that can be taken from the report too, as there has been a clear incremental improvement in the file grades and visit outcomes this year – and we do not want to forget that.

The vast majority of firms we visited demonstrated a clear commitment to compliance and the ongoing improvement of audit quality. It is encouraging to see continual evidence that audit firms are trying to do the right thing, often under difficult circumstances.

ICAS reviewers always try to make monitoring visits a proportionate and practical process, with a view to supporting firms delivering compliant, high quality audit work. However, the emerging findings from the recent FRC small and medium-sized enterprises (SMEs) market study identified a perceived lack of scalability and proportionality in auditing standards; and that many smaller audit firms believe regulators expect them to do more work for SME audits than may be necessary. Firms can be assured that ICAS will continue to work closely with the FRC, and you, to ensure that good practice can be shared and expectations of, and on, all parties involved in audit are realistic.

Important communications with ICAS

Alternate arrangements

In June 2025, Audit Regulation 2.02A brought in the requirement for all sole practice audit firms to nominate an alternate - to take effect in the event of the incapacity or death of the sole practitioner.

Many such practices will already have existing alternate arrangements in place as part of their obligations relating to the client money regulations, but the audit regulation requirement is a relatively new one.

Sole practices (eg unincorporated sole practitioners and incorporated practices with a sole director) should consider the suitability of the proposed alternate carefully, including their capacity and ability to act quickly, skills and any conflicts of interest there might be.

The regulations recognise that it may be difficult to appoint an alternate, and so it is possible to appoint a member from any Institute (ie ICAS, ICAEW or CAI) or ACCA rather than a necessarily another registered auditor, as the intention behind the regulation is to ensure continuity of service for clients and staff.

There is no expectation that the alternate will take on the business of the sole practitioner, but they could help with the orderly transition of clients to a new auditor. Firms should be wary that even if the

alternate is a responsible individual (RI) in their own firm, this status does not permit the alternate to act as RI on behalf of the sole practice.

Affected firms will be asked to confirm that such arrangements have been put in place & ICAS Practice Support may be able to provide relevant information to any firms that require an alternate but are having difficulty finding one.

Notification of significant changes in audit clients

There have been longstanding requirements in the Audit Regulations requiring the notification of appointment to any 'retained' audit client (eg a Public Interest Entity ('PIE')). However, revisions to the Audit Regulations in 2025 brought in the requirement to notify ICAS of other significant changes in a firm's audit clients. Firms are reminded that Regulation 3.15A requires firms notify ICAS if they are appointed to:

- a) non-PIE audit client listed on the UK growth markets² (or a change that means an existing client now meets that definition);
- b) a non-PIE audit client with turnover of £750 million or more, or one meets the definition of an "Other Entity of Public Interest"³ (or a change that means an existing client now meets one of those definitions);
- c) an audit client where the expected first-year audit fee for that entity, group, or collection of entities with the same beneficial owner or controlling party is above £25,000 AND more than two times the firm's existing highest audit fee; or
- d) a non-PIE audit client and its subsidiaries, or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity), with aggregate gross worldwide turnover greater than £750 million (or currency equivalent), where the firm has three or fewer responsible individuals.

Notification of the above should be made as soon as is practicable, and not later than 21 days after appointment. Firms can request a waiver from notification '21 day' requirement (eg if there are expected to be a high number of notifications) which will be considered on a case by case basis and would be replaced by an annual reporting requirement instead.

Notifications should be made to: regulatoryauthorisations@icas.com

Reporting of Ethical Standard breaches

All audit firms are required to establish appropriate policies, procedures, quality management, and monitoring systems; and dedicate appropriate resources and leadership to compliance with supporting ethical provision. In practice, the monitoring of ethical compliance may well be carried out as part of the firms standard SOQM monitoring arrangements, including the annual compliance review(s) and cold file review processes, though larger firms may require dedicated processes be put in place.

Monitoring arrangements need to be designed with the objective to effectively capture all relevant breaches of the Ethical Standard which are identified by the firm. Whenever a possible or actual breach of the Ethical Standard, or of a firms policies and procedures for ethical compliance, is identified, the engagement partner (and the Ethics Partner if there is one) will need to:

- assess the implications of the breach;
- determine whether there are safeguards that can be put in place or other actions that can be taken to address any potential adverse consequences; &
- consider whether there is a need to resign or withdraw from the engagement.

² Alternative Investment Market (AIM) or the Aquis Stock Exchange (AQSE) (together the UK growth markets) which have a market capitalisation less than €200 million on the basis of end-year quotes for the previous three calendar years.

³ As defined by the FRC Glossary of Terms (Auditing and Ethics) 2024. Calculation of turnover for the company or group of companies should be in line with the definition as stated in Companies Act 2006, Section 474.

In making this final judgement the engagement partner (and the Ethics Partner if there is one) need to consider the perspective of an objective, reasonable and informed third party.

Once these steps have been completed, firms also need to make sure they meet their reporting obligations under the Ethical Standard. Firms must report all Ethical Standard breaches identified by their monitoring arrangements to:

- The Competent Authority (ie the FRC for PIEs, and ICAS for non-PIEs) on a biannual basis, or outside of the biannual timetable where the Competent Authority would reasonably expect notice (eg due to the nature or seriousness of the breach, including where the firm may need to consider resigning); and
- Those charged with governance of the client, in a timely manner, if a breach relates to a specific audit.

Reporting to ICAS should be made to: regulatoryauthorisations@icas.com

Important FRC announcements

The FRC introduced its evolved approach to audit supervision⁴

The announcement reflects a major evolution of the FRC's audit supervisory model, introducing a more proportionate, effective and integrated framework designed to enhance audit quality and reinforce resilience across the UK audit market.

The revised approach places a firms' Systems of Quality Management (SoQM) at the heart of supervision activity, and is designed to strengthen audit quality, promote a more resilient audit system and ensure that the UK continues to offer an environment in which organisations can confidently grow and scale.

Implementation will begin in April 2026 for the largest PIE audit firms, with further developments piloted during 2026/27.

The work will complement the FRC's other key projects on Building Capacity and Capability for Smaller Firms and SME market study initiatives and support a more coordinated supervisory framework across both Public Interest Entity (PIE) and non-PIE audits.

The FRC announced a package of measures to make audits more proportionate and efficient for SMEs⁵

The FRC has set out a range of measures as part of its wider drive, in collaboration with ICAS and the other Recognised Supervisory Bodies (RSBs), to drive proportionality in the conduct and supervision of audit. The measures are designed to ensure audits for small and medium-sized enterprises (SMEs) are more practical, proportionate and appropriate for smaller, less complex businesses, and include:

- New guidance to support auditors apply auditing standards in a way that is relative to the complexity and size of the business.
- A new programme of engagement with auditors of SMEs to support understanding of this new guidance.
- A Technology Sandbox within the FRC's Innovation and Improvement Hub which will enable smaller audit firms to get support when adopting AI and new technology to improve audit quality.
- A new working group with the RSBs to promote more consistency in how audits of SMEs are supervised.

⁴ <https://www.frc.org.uk/news-and-events/news/2026/03/frc-introduces-evolved-approach-to-audit-supervision/>

⁵ <https://www.frc.org.uk/news-and-events/news/2026/03/frc-announces-measures-to-support-small-business-growth/>

- Engagement with stakeholders on the international Less Complex Entities auditing standard, providing UK stakeholders with the opportunity to influence its future development (as commented upon elsewhere in this Audit News).

Two key early outputs from this work are the final report on the [SME Audit Market Study](#)⁶ and [Practice Note 28 - Guidance for audits of small and medium-sized entities](#)⁷, which were published on 24 March 2026.

SME Audit Market Study

Findings from the market study

- The audit market for SMEs is broadly functioning well, with strong competition and good availability of audit services. Nearly 9 in 10 audits are delivered by firms outside the largest UK audit firms. Most SMEs report no issues finding an auditor and consider audit fees to represent good value for money.
- Some SMEs identified opportunities to make audits more efficient and proportionate. In particular, regulatory requirements and the way audits are supervised can lead to more work being done than is necessary.
- There is a perception that auditing standards do not always scale well for smaller, less complex businesses, alongside a need for clearer guidance to support more proportionate application in practice.
- There is mixed understanding of how ethical requirements apply, with some SME auditors not fully utilising existing flexibilities within the Ethical Standard.
- The current supervisory framework may, in some cases, discourage a more risk-based and proportionate approach to SME audits.
- Smaller audit firms can face barriers to adopting and tailoring new technologies, including AI, due to limited resources and technical expertise, often relying on off-the-shelf solutions.
- There is a lack of clarity on how technologies, including AI, can be used to add clear value to SME audits.
- While audits are generally seen as valuable, they may not always be the most proportionate option for all SMEs and there is scope to better support businesses in maximising the benefits of the audit process.
- Levels of knowledge and understanding of audit vary across the SME market, highlighting a need for greater awareness and support for both auditors and businesses.

Guidance for audits of small and medium-sized entities

Practice Note 28 provides guidance to auditors on how to apply the requirements of the ISAs to the audit of financial statements of SMEs in a scalable, proportionate, and effective way. The guidance is designed to be applicable regardless of an entities legal structure, so should be relevant to a wide range of entities, including companies, charities, and public sector bodies.

All firms involved in SME audits should read the practice note as a priority. The practice note should serve as a touchpoint for auditors of SMEs, but also RSBs and the FRC when it comes to consistency of expectations for what a good SME audit should look like. Given the timing of publication, this edition of Audit News will not make detailed comment on the practice note, but firms can expect future editions, and indeed ICAS's audit monitoring work, to refer to and reflect the guidance therein.

⁶ <https://www.frc.org.uk/consultations/small-and-medium-sized-enterprises-market-study/>

⁷ <https://www.frc.org.uk/library/standards-codes-policy/audit-assurance-and-ethics/guidance/practice-notes/>

The FRC launched two calls for stakeholder feedback to support the development of UK audit policy⁸

International Standard for Auditing for Less Complex Entities

The FRC is calling for stakeholders views on the International Standard for Auditing for Less Complex Entities ('ISA for LCE') to inform its ongoing engagement with the International Auditing and Assurance Standards Board (IAASB).

The primary purpose of the call is to better understand stakeholders' views on the ISA for LCE, including desired amendments for the standard at an international level. Audit firms are being encouraged to share their views on how audits of less complex entities can be delivered more proportionately while providing the same level of assurance and evidence as a full ISA (UK) audit.

At this stage, the FRC is not exploring the adoption of the LCE standard in the UK, with any future consideration of potential adoption to follow the conclusion of the IAASB's project.

Firms are encouraged to [read the call for views](#)⁹ and submit their responses to the call for views to AAT@frc.org.uk by **Thursday 21 May 2026**.

ISA (UK) 250 and ISA (UK) 270

The FRC is re-consulting proposals to revise ISA (UK) 250 and ISA (UK) 270, to ensure auditors take a proportionate approach to a key area of their engagements with entities:

- *"The revisions to ISA (UK) 250 seek to introduce a risk-based approach to audit work on laws and regulations, focusing on risks of material misstatement that are due to non-compliance with laws and regulations. This includes the removal of the outdated distinction between "direct" and "indirect" laws and regulations, a focus on laws that are "fundamental" to how an entity operates and clarification that specialist legal expertise will not normally be required."*
- *"ISA (UK) 270 is renamed, renumbered and made more principles-based to make clear that reporting obligations to appropriate authorities can arise across any area of the audit, not only in cases of non-compliance with laws and regulations. The revised standard also provides greater clarity on which authorities auditors should report to and confirms that this may mean reporting to more than one authority."*

Firms are encouraged to [read the consultation document](#)¹⁰ and provide written responses to the consultation to AAT@frc.org.uk by **Thursday 28 May 2026**.

The FRC will announce the majority of its remaining consultations in June, September and December 2026.

Guidance note on the eligibility requirements in Audit Regulation 2.03

As noted in previous editions of Audit News, and on ICAS.com, the October 2024 revision of the Audit Regulations brought in some changes to the eligibility requirements around the control of audit firms. While relatively limited in scope, the changes had a potentially significant effect on some firms' eligibility. To help firms in their continual monitoring of their eligibility a further [guidance note on the revised eligibility requirements](#)¹¹ was published in February 2026 as part of the wider selection of [regulatory helpsheets and guidance](#)¹².

⁸ <https://www.frc.org.uk/news-and-events/news/2026/03/quarterly-consultations-march-2026/>

⁹ https://media.frc.org.uk/documents/International_Standard_on_Auditing_for_Less_Complex_Entities_Call_for_Views_medadl_dr.pdf

¹⁰ https://media.frc.org.uk/documents/Re-Consultation_on_ISA_UK_250_Revised_and_ISA_UK_270_Revised_mOqewras.pdf

¹¹ <https://icas-com.uksouth01.umbraco.io/media/vyjlavdc/audit-eligibility-guidance-february-2026.pdf>

¹² <https://www.icas.com/regulation-technical-resources/documents/regulatory-helpsheets-and-guidance>

The guidance explains the eligibility requirements set out in Audit Regulation 2.03. Compliance in this area is particularly important, and failure to meet the criteria can invalidate audit reports and expose firms to regulatory and/or disciplinary action.

Key eligibility requirements relate to the status and qualifications of principals and the distribution of voting rights. In short, all principals must be members of ICAS, ICAEW, ICAI, ACCA or registered as Audit Affiliates; and any corporate principals must be notified to ICAS. All audit registered firms must be controlled by individuals with an audit qualification or another registered audit firm. When assessing control rights, firms must consider any 'super majorities' that may be required for certain decisions, such as the special resolution required to amend a limited company's constitution (which by default would require 75% control to be held by audit qualified individuals). There are also some specific provisions for limited company firms set out in Audit Regulation 2.03(d) relating to the disclosure and transfer of shares.

Firms are reminded that they need to notify ICAS of changes in their structure, principals, or shareholdings within 10 business days, as these may affect audit eligibility. If a firm temporarily ceases to meet an eligibility requirement, it may be appropriate to request a 90-day dispensation while corrective steps are taken, though this is only granted where audit quality and the public interest are not at risk. Changes to governance or corporate structure often require legal advice, and firms considering significant changes are encouraged to contact ICAS well in advance of the changes being made, rather than waiting till 10 business days afterwards.

Ensuring firm eligibility is not a 'one-and-done' thing. Any change in a firm's principals, control and ownership arrangements can have an impact on whether a firm remains eligible to conduct audit work and non-compliance with the eligibility requirements is one of the most serious issues identified in monitoring visits. Firms should make sure they have a clear understanding of their circumstances and keep ICAS Authorisations up to date with any changes.

As ever, further guidance is available from the ICAS Authorisations Team should any firms be unsure.

Emerging threats & issues

Reminder on previous changes to the Ethical Standard relating to entities under common ownership

[The Revised Ethical Standard 2024](#)¹³ became effective for periods commencing after 15 December 2024, so will impact the years ending 31 December 2025 which firms will be auditing this year. One of the key revisions was that firms should take account of a client's wider ownership structure when assessing ethical threats, such as those arising from possible fee dependence.

Firms need to ensure that consideration of potential fee dependence threats covers the total fees received from a client - including those received from its subsidiaries, and/or those from entities with the same beneficial owner or controlling party (whether or not the entities are formally constituted as a group from an accounting perspective). That means that:

- Where it is expected that the total fees from a non-listed / non-PIE client and its subsidiaries, **or a collection of entities with the same beneficial owner or controlling party** will regularly exceed 15% of the annual fee income of the firm, the firm shall not act as the provider of the engagement for that entity and shall either resign or not stand for reappointment.
- Where it is expected that the total fees from a non-listed / non-PIE client and its subsidiaries, **or a collection of entities with the same beneficial owner or controlling party** will regularly exceed 10%, but not 15%, of the annual fee income of the firm then an external independent quality control review will be required prior to sign off.

¹³ <https://www.frc.org.uk/library/standards-codes-policy/audit-assurance-and-ethics/ethical-standard-for-auditors/>

For completeness, it is noted that lower thresholds apply to PIE clients, and that an alternative provision is available for the audits of small entities that removes the need for an external independent quality control review when fees are expected to regularly be 10-15% of firm income.

Firms need to be careful to ensure they identify all relevant entities with the same beneficial owner or controlling party, as it is not uncommon for firms to act for multiple legal entities under common ownership / control. Any breach of the ethical requirements relating to fee dependence would be a serious matter. If identified on a monitoring visit, such a breach would likely lead to the visit report being considered by the Full Authorisation Committee with regulatory action and / or penalty a clear possibility.

Falsified audit reports

The ICAS Audit Monitoring team has recently been hearing reports of an increasing number of accounts being filed with a falsified audit reports attached. Firms should be vigilant for companies filing accounts that purport to be audited by them that haven't been. Given the public availability of firm and Responsible Individual names (and sometimes signatures) through Companies House, this can be a relatively easy form of financial reporting fraud, and could be made easier still through the use of AI generated financial statements.

Any firms that have subscriptions to services that enable interrogation of Companies House records could use that access to conduct searches on firm and RI names to ensure no such fraudulent activity is taking place. In other cases, firms should remain alert for any indications of inappropriate use of their name(s) by clients and non-clients alike. Firms can also easily search Companies House records by their own address to ensure that there are no unexpected companies registered at their address.

Any instances of falsified audit report should be reported to Companies House immediately, and where appropriate other fraud reporting obligations may exist.

Audit firm names

As set out in the [Firm Names Help sheet](#)¹⁴, subject to the ICAS Regulations and guidance a member or a firm in which they operate may practice under whatever name or title it wishes to do so (including using a 'trading name' should they wish). However, there are some key factors for firms to consider, one of which would be to ensure the practice name is not misleading. For example, it would be misleading for:

- A firm with very few offices to describe itself as 'international' merely on the grounds that one of them was overseas.
- A sole practitioner to add the suffix 'and Associates' to the name of their practice unless formal arrangements were agreed with two or more consultants or firms.
- There to be a real risk that a firm name could be confused with the name of another firm, even if the member(s) of the practice could make a justifiable claim to the name.
- a member of a trading group or network to bear the same name as the group or network – though this does not prevent a member or firm practising under its own name 'as a member of (a named accountancy group)' or merging their practice name alongside the group or network name.

In addition to these standard areas of guidance, audit firms should give extra consideration to the name they wish to use. An audit firm should not have a name which is the same as, or sufficiently similar to, that of a firm already registered on the Public Audit Register. A name would be considered to be sufficiently similar in one or more of the following circumstances:

- it contains two or more identical words, not including “audit”, “services”, “LLP”, UK, Ltd, “partnership”, “and/& Co/Company”, “and” or “the”, e.g. “Fred’s Excellent Audit Services” could be considered to be sufficient similar to “Fred’s Excellent Audit and Assurance Services”;
- the difference is one of punctuation or the use of a character; or
- names that are spelled differently but sound the same; or

¹⁴ <https://icas-com.uksouth01.umbraco.io/media/rrqdh0ez/firm-names-and-disclosure-of-principals-and-regulatory-status.pdf>

- the name would, if shortened or abbreviated, be likely to confuse the public.

Where a firm identifies that its proposed name is sufficiently similar to that of an existing firm registered on the Public Audit Register it may use its proposed name if the existing firm whose name is sufficiently similar has no objection.

The guidance preventing names that are sufficiently similar does not apply to firms in the same group or ownership structure, or firms that are otherwise connected.

ICAS Signposting

Guidance note on required CPD hours for audit professionals

This shared guidance note¹⁵ was hot off the press as this edition of Audit News was being collated. The note sets out the expectations which all Recognised Supervisory Bodies (RSBs) will have in relation how many hours auditors should be spending on audit-related CPD.

Different RSBs use different models for their CPD requirements. While ICAS operates an output based model, other RSBs operate with input-based models, or hybrid models, that specify required hours of CPD for various roles / specialisms.

Members of an RSB will always have to satisfy the CPD requirements of their membership body and may be included as part of an annual sample or other regulatory exercise to ensure that's the case. Over and above this, the RSB which licences the firm for audit may require Responsible Individuals (RIs), and other employees working in audit, to follow that body's CPD requirements too.

Having considered a review undertaken by the FRC in 2025, all RSBs have agreed that their CPD requirements (under whatever model) are **unlikely to be met by RIs or audit staff undertaking less than seven hours of verifiable audit-related CPD** (where audit work comprises a significant part of their day-to-day work).

Monitoring against this expectation will be considered on a case-by-case basis, and will be proportionate to the particular circumstances of each firm, RI, and/or audit team member, including any wider quality control framework in place.

ICAS urges charities to prepare now for significant changes to their financial reporting obligations under the Charities SORP 2026¹⁶

The revised Charities SORP, effective for reporting periods beginning on or after 1 January 2026, introduces significant updates to how charities prepare their annual reports and accounts. While the changes aim to enhance transparency and accountability, they also add substantial new reporting requirements - particularly around income recognition, lease accounting, impact reporting, and reserves. The new rules on income recognition and lease accounting could be particularly challenging for clients.

Christine Scott, Head of Charities and Reporting at ICAS, said: "*Charities need to be clear-sighted about the magnitude of the task ahead. The Charities SORP 2026 represents the most significant update in a decade, and while it supports greater accountability, it also increases the level of effort required to comply. Trustees and finance teams should begin preparing now to ensure they are ready for the 2026 reporting cycle.*"

ICAS hailed Scottish charity audit threshold increase as a "significant and positive step"¹⁷

¹⁵ <https://icas-com.uksouth01.umbraco.io/media/gqmb1spm/cpd-for-audit-professionals-guidance-note.pdf>

¹⁶ <https://www.icas.com/news-insights-events/news/press-release/charities-urged-to-act-now-amid-major-reporting-changes>

¹⁷ <https://www.icas.com/news-insights-events/news/press-release/icas-hails-scottish-charity-audit-threshold-increase-as-a-significant-and-positive-step>

The Scottish charity audit threshold will rise to £1 million of gross income per year for reporting periods beginning on or after 1 January 2026, up from the current threshold of £500,000. Alongside the increase in the audit threshold, the regulations also raise the threshold for the preparation of consolidated group accounts from income of £500,000 to £1 million per year.

James Barbour was the latest guest to feature on the CPD podcast platform LumiQ¹⁸

James is an expert when it comes to discussing matters of ethical leadership, making him an influential voice on this topic. In the episode, James shares how The Power of One initiative emerged from the aftermath of the financial crisis and continues to influence global standards.

The episode covered:

- Lessons from the financial crisis and other global corporate failures.
- The definition and role of moral courage in ethical decision-making.
- How accountants can apply these ideas in the age of AI and sustainability.

ICAS responded to the UK Government scrapping the UK Audit and Corporate Governance Reform Bill¹⁹

Gail Boag, ICAS CEO, said: “This morning’s announcement that the UK Audit and Corporate Governance Reform Bill has been scrapped is deeply frustrating. The whole accountancy sector and even governments themselves have agreed for years on the need for audit and corporate governance reform.”

The response came after [Blair McDougall, the Minister for Small Business and Economic Transformation, wrote to the Chair of the Business and Trade Committee to inform him that the Government will not be consulting on audit reform legislation²⁰](#). The letter set out three key reasons behind the decision:

- The Government’s priority to promote economic growth and reduce administrative burdens.
- The need for major reform being considered less pressing than it was.
- The Government’s wider legislative programme meaning parliamentary time would be limited.

Nevertheless, Mr McDougall confirmed that it remains important to have effective, proportionate regulation of audit and a regulator that has the right legislative set-up to do the job. So the Government will still look to put the Financial Reporting Council on a proper statutory footing, as soon as parliamentary time allows.

Christine Scott provided an update on charity financial threshold changes in England and Wales²¹

Following public consultation, the Department for Culture Media and Sport (DCMS) announced plans to increase the key financial thresholds applying to the preparation and scrutiny of accounts prepared by charities in England and Wales. The threshold increases, intended to reduce the regulatory burden on charities while retaining an appropriate level of transparency, have been welcomed by the charity sector and the accountancy profession, including ICAS. The full ICAS response to the consultation is available [here²²](#).

¹⁸ <https://www.icas.com/news-insights-events/news/member-rewards/james-barbour-featured-on-new-lumiq-episode-how-icas-is-reshaping-ethics-through-the-power-of-one-initiative>

¹⁹ <https://www.icas.com/news-insights-events/news/press-release/icas-frustrated-by-scrapping-of-uk-audit-and-corporate-governance-reform-bill>

²⁰ <https://www.gov.uk/government/news/update-on-the-governments-plans-for-audit-reform-legislation>

²¹ <https://www.icas.com/news-insights-events/news/charities/update-on-charity-financial-threshold-changes-in-england-and-wales>

²² <https://icas-com.uksouth01.umbraco.io/media/2oopokwq/response-to-the-dcms-on-charity-law-financial-thresholds-in-england-and-wales-2-june-2025.pdf>

Key changes:

- For a parent charity registered with the Charity Commission for England and Wales (CCEW), the threshold for preparing group accounts will increase to gross aggregate income of more than £1.5 million.
- For a charity registered with the CCEW and complying with the Charities Act 2011, the audit threshold is to rise to:
 - Gross annual income of more than £1.5 million; or
 - Gross assets of more than £5 million; and gross annual income of more than £500,000.
- For a parent charity registered with the CCEW and complying with the audit requirements of the Charities Act 2011, the audit threshold for group accounts is to rise to gross aggregate income of more than £1.5 million after consolidation adjustments.

In addition, a charity will continue to need an audit if:

- It's required to by the constitution of the charity, any other enactment, or on the instruction of its trustees.
- In the case of a charity with a pre-Charities Act 1992 constitution, the constitution contains a requirement for an audit or examination by a professional auditor.

Firms should be aware that cross-border charities (ie charities based in England and Wales but registered in Scotland with the Office of the Scottish Charity Regulator) must continue to comply with the Charities Accounts (Scotland) Regulations 2006, including the accounts preparation and scrutiny thresholds. Financial thresholds under Scottish charity law are lower and will continue to be lower than financial thresholds under English charity law and the Companies Act 2006 (see above).

James Barbour wrote on the ICAS motto being embedded in the Ethics Equation²³

“The ICAS motto ‘Quaere Verum’ (Seek the Truth) has most definitely stood the test of time. A key element of any ethical dilemma is ensuring you have the appropriate facts in the given circumstances. I appreciate this isn’t always easy; however, obtaining sufficient and relevant information should always be the goal when forming your professional judgement in the given scenario.”

James’ piece flags the importance of moral courage, and there is a clear read across from his commentary on the IESBA & ICAS Codes of Ethics to the application of the FRC’s [Ethical Standard for Auditors²⁴](#).

From an audit perspective, it’s vitally important that the users of the accounts can trust and have confidence that the audit opinion is objective. To that end, the Ethical Standard sets out the overarching principles of integrity, objectivity and independence, together with supporting ethical provisions which establish a framework of ethical outcomes that auditors need to meet. Thankfully, it is relatively rare for a monitoring visit to identify non-compliance with the overarching principles of the Ethical Standard. However where issues do arise they are amongst the most serious matters identified on a monitoring visit and as a result can lead to the most serious regulatory actions being taken by the Authorisation Committee.

Christine Scott commented on recent targeted amendments to UK GAAP²⁵

In February 2026, the Financial Reporting Council (FRC) published targeted amendments to FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 105 – The Financial Reporting Standard applicable to the micro-entities regime.

²³ <https://www.icas.com/news-insights-events/news/ethics/icas-motto-embedded-in-the-ethics-equation>

²⁴ <https://www.frc.org.uk/library/standards-codes-policy/audit-assurance-and-ethics/ethical-standard-for-auditors/>

²⁵ <https://www.icas.com/news-insights-events/news/corporate-financial-reporting/frc-issues-targeted-amendments-to-uk-gaap-to-maintain-international-alignment>

The changes are narrow in scope and are primarily intended to maintain international alignment with IFRS Accounting Standards, specifically between FRS 102 and IFRS 18 Presentation and Disclosure in Financial Statements. Other targeted amendments are limited, with only a single amendment made to FRS 105.

The amendments published in February 2026 are effective for accounting periods beginning on or after 1 January 2027, with early application permitted. For most FRS 102 reporters, the practical impact of these amendments is expected to be limited.

Wider Signposting

The FRC released an 'In Conversation' podcast on the Audit Enforcement Procedure²⁶

Kate O'Neill, Director of Stakeholder Engagement and Corporate Affairs, was joined on the podcast by Anthony Barrett, Executive Director of Supervision, and Jamie Symington, Deputy Executive Counsel. They discussed the progress of the FRC's consultation on proposed amendments to the Audit Enforcement Procedure, which launched in October 2025 as part of its end-to-end review of its enforcement processes, and what we've heard so far from stakeholders.

Accountancy Europe published insights, trends and resources on Private Equity in accountancy & audit sector²⁷

The piece sets out that third party ownership in audit and accountancy practices is on the rise across Europe. A common feature of this is the involvement of Private Equity models. The trend comes with a range of opportunities (with clear potential for growth and innovation) as well as risks for firms involved (with questions being raised about potential impact on independence and audit quality amongst other things).

Potential opportunities	Potential risks
<ul style="list-style-type: none"> Investment in innovation and technology Consolidation, efficiency and synergies Talent retention and development Enhanced brand visibility and market reach Access to broader business networks 	<ul style="list-style-type: none"> Regulatory risk and early engagement Quality risk Ethical and independence concerns Cultural misalignment Engaging external advice and expertise Impact on the audit market Exit strategy risk

Key messages provided by Accountancy Europe include:

- Private Equity investment in the sector has grown significantly over the past decade.
- An 'inflection point' occurred in 2023, when the number of Private Equity transactions surged to over 100, almost three times the previous year's figure.
- Around 60% of Private Equity transactions involve primarily local accounting, tax, and advisory firms.
- Around 40% of the deals are in firms that provide audit and assurance services.
- Typically, when audit services are involved, the Private Equity involvement brings about a degree of legal restructure to split off audit services into a distinct entity.

²⁶ <https://www.frc.org.uk/news-and-events/news/2025/12/in-conversation-consulting-to-update-the-audit-enforcement-procedure/>

²⁷ https://accountancyeurope.eu/news/private-equity-in-accountancy-audit-sector/?mc_cid=23e33710d6&mc_eid=5774a8807f

The analysis gives a helpful overview of how Private equity investment is affecting the profession across Europe, and it seems clear that all parties involved must respect need for audit quality, as set out in previous [ICAS comment on the matter](#)²⁸.

The FRC set out its schedule for 2026 consultation windows²⁹

In 2026, the FRC will issue consultations in:

- March
- June
- September
- December

Consultations will be published on the FRC's website, and all firms are encouraged to sign up to the FRCs news alerts to ensure they get the opportunity to have their say the consultations arising through the year.

Richard Moriarty set out the FRCs priorities for the year ahead³⁰

The announcement reconfirmed that the FRCs core purpose remains to serve the public interest and support UK economic growth by upholding high standards of corporate governance, corporate reporting, audit and actuarial work. In 2026, the FRC will continue to pursue their five priorities for supporting economic growth:

- underpinning investor confidence in UK plc
- reducing unnecessary burdens on business while maintaining high standards
- developing deep insight into the markets we oversee so our regulation is based on evidence and expertise
- identifying future trends and innovations to support the health of the markets we oversee
- supporting the skills and resilience of the professions we regulate

As part of this work, the FRC aim to make significant progress on the Future of Audit Supervision Strategy and their End-to-End Enforcement Review, working closely with stakeholders to develop a more proportionate, system-focused approach as we modernise our audit regulation activity. They will also publish final guidance to help auditors deliver work scaled appropriately to the complexity of small and medium-sized enterprises, and will work with ICAS and the other Recognised Supervisory Bodies to ensure a consistent, proportionate approach to regulation of that sector of the audit market.

The FRC published updated strategic report guidance³¹

The guidance was developed to support all UK entities that prepare strategic reports under company law, and is intended to help entities address their reporting obligations in a way that is practical, proportionate and supports high-quality reporting. The guidance will be equally relevant to audit teams working on clients that prepare strategic reports.

The guidance will support the preparation, and consideration, of disclosures that are proportionate to the entity's size, complexity and circumstances. It has been updated to reflect changes to legislative and regulatory requirements and other developments in sustainability-related and wider corporate reporting practice. Alongside the guidance, the FRC has also published updated Scoping Tables to support entities complying with Companies Act 2006 disclosure requirements for the strategic report, the directors' report and the energy and carbon report to reflect reporting of payment practices within the Directors Report.

²⁸ <https://www.icas.com/news-insights-events/news/audit-assurance/private-equity-investment-must-respect-need-for-audit-quality>

²⁹ <https://www.frc.org.uk/news-and-events/news/2026/01/frc-sets-schedule-for-2026-consultation-windows/>

³⁰ <https://www.frc.org.uk/news-and-events/news/2026/01/frc-ceo-sets-out-focus-for-2026/>

³¹ <https://www.frc.org.uk/news-and-events/news/2026/02/frc-publishes-updated-strategic-report-guidance/>



CA House, 21 Haymarket Yards, Edinburgh, UK, EH12 5BH
+44 (0) 131 347 0100
connect@icas.com
icas.com

 @ICASaccounting

 ICAS – The Professional Body of CAS

 ICAS_accounting

 ICAS_accounting