AI IN FINANCE | AUDIT · GENERATIVE AI · AGENTIC AI

UK FRC's first guidance on generative and agentic AI in audit

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On 30 March 2026 the UK Financial Reporting Council published guidance on generative and agentic AI in audit, which it calls the first from any audit regulator. The message: use AI, but the human auditor stays accountable.

Global reference

- Country: United Kingdom, with wider influence on audit practice
- Regulator: Financial Reporting Council (FRC)
- Topic: Use of generative and agentic AI tools in audit engagements
- Key date: Published 30 March 2026
- Documents: Generative and Agentic AI Guidance, and a companion factsheet

What the guidance says

- Audit firms should get appropriate confidence in the quality of AI outputs before relying on them. The guidance gives a framework for this.
- How much checking is needed depends on the tool and its use, and is a matter of professional judgement.
- AI use should sit within the firm's quality management system under ISQM (UK) 1.
- Accountability does not change. In the FRC's words, the human auditor is always accountable.
- It is not a response to quality failures. It sets out good practice and a base for future FRC work.

Examples the FRC uses

- Summarising board minutes.
- Reviewing contracts with an AI tool for revenue recognition testing.

Why it matters outside the UK

- Audit firms are global networks, so FRC guidance shapes methods used in other countries.
- Agentic AI, meaning tools that plan and carry out steps, is now treated as an audit tool to control, not a future idea.
- Audit regulators in other countries are likely to follow.

What finance teams should expect

- Auditors may ask for data in formats their AI tools can read, such as full ledgers and contract sets.
- Expect more questions on anomalies that AI finds across full populations, not samples.
- If your team uses AI to prepare journals, reconciliations or disclosures, expect auditors to ask how you control it.

What to do now

- Agree with your auditor early which AI tools they will use and what data they need.
- Document your own AI use in financial reporting: the tool, its purpose, the reviewer and the evidence kept.
- Keep human sign-off on key judgements.

Our take

The guidance is practical and balanced. It does not slow AI in audit; it asks firms to prove they can trust it. Finance teams should apply the same test to their own AI use.

Sources

- FRC: Innovative new guidance supports audit firm adoption of emerging AI technologies (30 March 2026)
- FRC: Generative and Agentic AI Guidance
- ACCA: FRC guidance on AI tools in audit engagements

Important. This summary is for general information and is not audit, legal or regulatory advice. It is based on public Financial Reporting Council publications, together with professional body commentary, and may be incomplete or out of date. The official publications prevail; check the official source before acting.

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