# Updates and Insights

February 2026

Edited by Simon Kettlewell

HAT

YOUR COMPLIANCE PARTNER

THE WHITE CHAPEL BUILDING, 10 WHITECHAPEL HIGH STREET, LONDON, E1 8QS

# Welcome

**Welcome to the latest edition of HAT Updates and Insights,.**

As always seems to be the case, 2026 has got off to a busy start!

Firstly, there have been "backtracks" on some previous Government announcements:

- The planned Audit Reform bill has been abandoned
- The requirement for third parties to be registered as an Authorised Corporate Service Provider to be able to file accounts on behalf of clients has been pushed back to no earlier than November 2026
- The changes to accounts filing, which included the requirement for small companies to file their Profit and loss account, will no longer be introduced in April 2027.

We have new specialist SORPs (charities, LLPs, Pensions etc) being released to deal with the revisions to FRS 102, which are effective for periods commencing on or after 1 January 2026.

There is a consultation from the Solicitors Regulation Authority regarding client money protection, which if enacted in its proposed state, will reintroduce the need for all accountants' reports to be submitted (rather than just those that are qualified), alongside a requirement for these to be submitted directly by the reporting accountant.

Further details on these changes (and more) can be found in the Technical Update section.

We have finalised our CPD course programme for 2026, which includes new courses dealing with the changes to FRS 102. More details can be found in the Upcoming Courses and Events section. If you would like to discuss any of our courses, including the possibility of running bespoke sessions in house, please get in touch.

In amongst all of this, we managed to have an excellent couple of days (despite the weather) in St Albans, for our annual Team Conference. We covered a lot of ground, including teambuilding, marketing, website content, strategy, clients, use of AI, some technical matters as well as finding out everyone's favourite vegetable and musical artist!

Simon Kettlewell - Technical Director

## Contents


| | Page |
|---|---|
| Editorial | 1 |
| Upcoming Courses and Events | 2 |
| Updates to HAT Methodologies | 4 |
| Technical Update | 5 |



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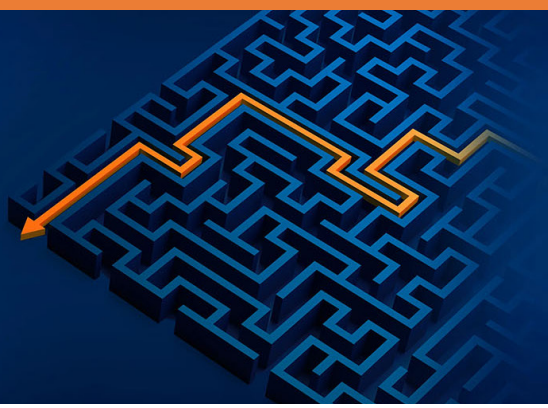
Please contact us before visiting or sending paper files for review as our London office is only open by appointment.



# Upcoming Courses and Events

Our website provides details of all our current courses.

Courses for 2026 have now been planned, and include:

| COURSE | DETAILS | PRESENTER | DATE |
|---|---|---|---|
| SRA Update | 10.00am – 11.30am [ONLINE] | Andrew Jarvis | 17 March 2026 |
| Charities Update, including FRS 102 changes | 9.30am – 12.30pm [ONLINE] | Andrew Jarvis and Adam Loake | 14 April 2026 |
| AML 2026 Update | 2.00pm – 3.30pm [ONLINE] | Kate McCaffrey | 13 May 2026 |
| FRS 102: What You Need to Know | 9.30am – 12.30pm [ONLINE] | Kate McCaffrey | 9 June 2026<br>24 November 2026 |
| Being an Effective R.I | 9.30am – 12.30pm [IN PERSON] | Kate McCaffrey | 14 July 2026 |
| Effective Audit Review | 9.30am – 4.30pm [IN PERSON] | Adam Loake | 12 November 2026 |
| AML Compliance: A guide for Senior Management | 2.00pm – 4.00pm [ONLINE] | Simon Kettlewell | 12 November 2026 |
| Audit Planning Workshop | 9.30am – 12.30pm [IN PERSON] | Kate McCaffrey | 26 November 2026 |

## 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 |
|---|---|---|---|
| Kickstart Your Career | 28 August 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 Accounting | 14 – 18 September 2026 | London | |
| Introduction to Auditing | 21 – 25 September 2026 | London | |
| Advanced Accounting | 22 – 23 June 2026 | London | |
| Practical Auditing | 6 – 10 July 2026 | Residential – Ipswich | |
| A Practical Introduction to UK GAAP | 16 - 17 February 2026 | London | |
| Becoming an Effective Audit Senior | 20 – 24 April 2026 | Residential – Norwich | |
| Becoming an Effective Supervisor | 9 – 13 November 2026 | Residential – venue TBC | |
| Managers Course | Contact Kate McCaffrey to discuss | | |

### 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 03/25 | 1 Oct 2025 | HAT Corporate Audit Methodology – 2025 Update |
| TM 04/25 | 1 Oct 2025 | HAT Groups Methodology – 2025 Update |
| TM 05/25 | 11 Dec 2025 | HAT Non-audit Assignments Methodology – 2025 Update |

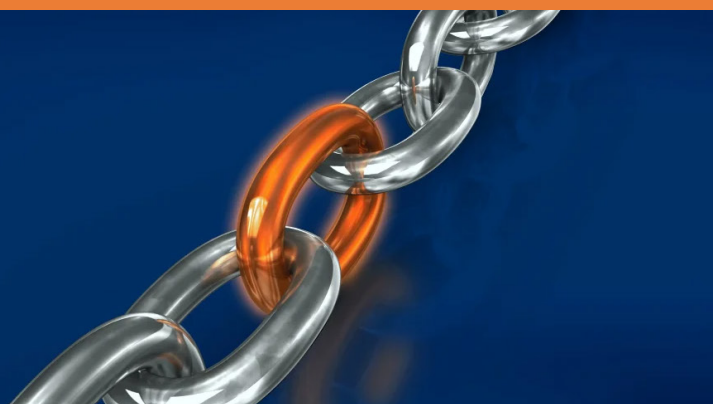
The updates to methodologies mentioned above have been primarily driven by the need to reflect the new company size thresholds, which apply for accounting periods commencing on or after 6 April 2025.

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

Other methodologies affected by these changes will be updated during the first quarter of 2026.

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.

# Technical Update



## COMPANY LAW:

### COMPANIES HOUSE GUIDANCE ON IDENTITY VERIFICATION:

Following the introduction of requirements for identity verification, Companies House have published guidance in a number of areas related to persons with significant control. In addition, they have published summary guidance, which is available on their website.

### GUIDANCE ON PAYMENT PRACTICES REPORTING:

Following the enactment of The Companies (Directors' Report) (Payment Reporting) Regulations 2025 for large companies for accounting periods commencing on or after 1 January 2026, the government has published guidance to help in-scope companies comply with this new obligation. It outlines which companies are in-scope of these requirements, what needs to be reported, how statistics should be included, confirmation that this should be included in the directors' report and a number of worked examples.

### DEFERRAL OF ACSP REQUIREMENT TO FILE ACCOUNTS:

Companies House have amended their transition plan for the "Economic Crime Act". The amendment highlights that, "the Spring 2026 due date for presenter measures will be postponed until no earlier than November 2026, to prioritise the completion of the identity verification transition period for directors and PSCs and to give us more time to address stakeholder feedback."

### FILING P&L ACCOUNT NO LONGER REQUIRED FROM APRIL 2027:

Companies House have updated information on filing requirements (which would have required every company to file their performance statement), stating that: "Changes to accounts filing will not be introduced in April 2027. The reforms are still under review and a final decision will be announced shortly. Companies will receive at least 21 months' notice to prepare."

## AUDITING / ETHICAL / ASSURANCE STANDARDS:

### ICAEW TECHNICAL RELEASE REGARDING LEGAL PRIVILEGE:

ICAEW has published TECH 01/25 AAF Legal Privilege and it's Interaction with the Audit (available to members only). The note accompanying its release highlights that the guidance covers auditors' duties, including:

- The extent to which auditors can call for legally privileged information and whether the audited entity can withhold such information;
- How auditors should report on audits where legally privileged information is withheld; and
- How and what to record in the audit file, sufficient to support the audit opinion, and how to deal with requests from third parties (including regulator requests) and limited waiver agreements.

**ACTION FOR FIRMS**
Whilst it is rare that legal privilege arises during an audit, this is useful reading to enable auditors to navigate this challenging area.

### ABOLITION OF AUDIT REFORM:

The Minister for Small Business and Economic Transformation has advised that the Government will not be consulting on audit reform legislation. His letter highlights that the priority is to promote economic growth and reduce administrative burdens; the need for major reform is less pressing than it was; and the Government is pursuing an ambitious legislative programme and parliamentary time is limited. However, the aim is to put the Financial Reporting Council on a proper statutory footing, as soon as parliamentary time allows

## ACCOUNTING STANDARDS:

### UK ENDORSEMENT OF IFRS 18:

The UK Endorsement Board ("UKEB") has published IFRS 18 and their Press Release states:

"IFRS 18 Presentation and Disclosure in Financial Statements was issued by the IASB in April 2024, and formally adopted by the UKEB, for use in the UK, on 10 December 2025. IFRS 18 replaces IAS 1 Presentation of Financial Statements and sets out general presentation and disclosure requirements that apply across the primary financial statements and the notes. It does not change how entities recognise and measure items in the financial statements.

The standard is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted."

**HAT RESPONSE**
Amendments to presentation requirements will be reflected as part of the 2027 Update to the HAT Audit Methodology.

### REVISED LLP SORP:

CCAB has published a new edition of the Statement of Recommended Practice – Accounting by Limited Liability Partnerships ("LLPs SORP"). The Press Release accompanying this publication highlights that the main amendments in the updated SORP relate to disclosures required by small entities, post-retirement payments to members and the presentation of members' remuneration.

The updated SORP is effective for periods commencing on or after 1 January 2026 (with early adoption permitted).

**HAT RESPONSE**
Time has been set aside to reflect required amendments to the HAT LLP Methodology, which will be released later this year.

### FRC THEMATIC REVIEW OF CORPORATE REPORTING FOR SMALLER LISTED COMPANIES:

The Financial Reporting Council ("FRC") has published a Thematic review: Reporting by the UK's smaller listed companies to help smaller listed companies improve the quality of their corporate reporting and make the most of their resources. Their Press Release includes highlights that there are four key areas which have been identified for improvement, namely:

- Tailored accounting policies for revenue recognition;
- Accurate classification and consistency for cash flow statements;
- Transparency of disclosure for impairment of non-financial assets; and
- Tailored policies and risk disclosures regarding financial instruments.

Although this relates to listed companies, the issues highlighted are relevant to any entity not applying small company exemptions in their financial reporting.

## ANTI-MONEY LAUNDERING:

### NCA GUIDANCE:

The National Crime Agency ("NCA") has published the following best practice suspicious activity reporting ("SAR") guidance:

- Using the SAR Portal to submit suspicious activity reports to the UK Financial Intelligence Unit;
- Submitting high-quality SARs; and
- Seeking a defence under the Proceeds of Crime Act 2002 (POCA) or Terrorism Act 2000.

### AML RISKS COMMON TO ACCOUNTANCY SERVICE PROVIDERS:

HM Revenue & Customs ("HMRC") has prepared an published a risk assessment in respect of accountancy service providers, in order to comply with The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (Regulations 17 / 47). The areas covered include:

- Risks common to accountancy service providers;
- Risks related to accountancy services;
- Risks related to bookkeeping;
- Risks related to tax advice, assistance and material aid;
- Risks related to Payroll; and
- Risks related to Audit.

It is specifically highlighted that an accountancy service provider, "must take this HMRC risk assessment into account when carrying out your business's own risk assessment".

### INDICATORS OF FOREIGN BRIBERY:

The Serious Fraud Office ("SFO"), working with law enforcement partners across the Five Eyes nations, has published guidance to help businesses, professionals and the public identify potential indicators of foreign bribery. Their Press Release highlights that taken in isolation the indicators do not automatically equate to criminal activity, but they highlight factors which, when considered in combination and within context, raise the risk profile and include, for example:

- Owning a high-value property portfolio disproportionate to income;
- Registering a charity with the same name as a company;
- Requiring unusual secrecy in relation to transactions or contracts and is reluctant to share financial records regarding the same;
- Being a shareholder in a company through layers of complex company ownership; and
- Awarding contracts to a party that lacks the apparent capability.

The guidance notes that some indicators are common to other financial crimes, including money laundering, and should be assessed within the broader context of a company's operations and risk profile.

**ACTION FOR FIRMS**
Whilst there are no changes as such, firms should familiarise themselves with these releases in order to mitigate any risks which could arise as a result of not following the guidance issued.

### CONSULTATION INTO REFORM OF AML SUPERVISION:

HM Treasury launched a consultation, which ran until 24 December 2025, seeking feedback on proposals to reform the supervision of anti-money laundering and counter-terrorist financing (AML / CTF) compliance among professional services businesses by transferring this responsibility to the Financial Conduct Authority ("FCA").

Responses to the consultation are being considered and a further update as to how / when such changes will be made is awaited.

## ICAEW / ACCA / REGULATORY:

### ICAEW OBSERVATIONS OF COMPLIANCE WITH ICAEW CPD REGULATIONS:

ICAEW's Quality Assurance Department ("QAD") has completed initial monitoring of how a small number of firms are complying with firm-wide requirements in the revised CPD Regulations and their findings include the following:

- Monitoring activities at some firms visited (to assess whether all of the ICAEW members and relevant persons working within the firms are carrying out the correct CPD for their category) were ineffective. This was due to not implementing monitoring activities to assess their staff, in order to check whether the correct CPD category has been assigned, they have carried out the minimum number of CPD hours, and completed their mandatory ethics training;
- During reviews of individual members within the staff teams, firms had not always assessed their CPD category at all, had placed them in the wrong category or had incomplete information regarding professional body membership;
- Whilst all the firms visited had spent time developing a "training needs analysis", firms should still consider any firm-wide training requirements, including training for specific service lines, specialisms, or role profiles; and
- During individual member reviews, it was found that some did not have an appropriate reflection statement, as is required by ICAEW when logging development activities proposed and undertaken.

**ACTION FOR FIRMS**
ICAEW's findings reflect areas where risks arise and firms applying the ICAEW CPD Regulations should ensure that their procedures comply with the regulations to reduce risk from a future visit.

### UNPAID STAFF:

ICAEW has issued new guidance to clarify in which circumstances using unpaid staff is a breach of the ICAEW Code of Ethics and the Press Release accompanying this includes:

**"When is it appropriate to use voluntary staff?**

There are clearly circumstances when having unpaid staff volunteering within a firm is perfectly acceptable. These are generally limited to work shadowing, and certain internships or short-term work experience, either during secondary education or as an integral part of a higher education course. Firms have advertised roles for a specified number of working hours each week over a set period (several months at least), terms which would be appropriate for a paid employee, rather than a volunteer or unpaid member of staff. This would be a breach of the Code of Ethics, as well as a potential breach of employment law.

**An ethics perspective:**

We would consider advertising for, and using, staff in this way to be a breach of the fundamental principles of the Code of Ethics. Under the Code, members have to behave in a way that is consistent with their responsibility to act in the public interest. Exploiting staff, treating some staff less fairly than others, or disregarding employment legislation, would be considered as failing to act in the public interest."

## CHARITIES:

### CHARITIES ACT 2022 IMPLEMENTATION:

The Charity Commission has confirmed certain changes brought about by the Charities Act 2022 came into force on 27 November 2025. They advise that the changes will enable trustees to delegate decision-making authority for moral payments to other people at the charity, for example a member of staff or a trustee sub-committee and to make certain moral payments without Commission authority.

### CHARITY COMMISSION GUIDANCE ON "MORAL PAYMENTS":

Implementation of changes to the Charities Act 2022 on 27 November 2025 should mean fewer charities will be required to ask for the Charity Commission's authority to make moral ('ex gratia') payments. Their Press Release includes:

"Charity trustees have new powers when considering if there is a moral rather than legal obligation to transfer some of their charity's property.

When considering if they should make a moral payment, trustees must now apply an objective rather than subjective test of moral duty; have the option to delegate the decision to staff; and may be able to self-authorise small moral payments.

To help charities work within the new legal framework, and only apply for authority when needed, the charity regulator has updated its guidance for trustees. The regulator also encourages trustees to refer to its general guidance on decision making (CC27) when considering a moral payment."

### AMENDMENT TO SCOTTISH CHARITY LAW:

The Charities Accounts (Scotland) Amendment Regulations 2025 (Scottish S.I. 2025 / 341) have been made and the Explanatory Note summarises that they:

- Update the definition of the Charity SORP to take account of that revised publication and also in relation to the SORP applicable to charities which are further and higher education institutions;
- Bring into force legal changes which require charities to have an auditor or independent examiner prepare an independent report on accounts and to send a copy of that to the Scottish Charity Regulator; and
- For financial years beginning on or after 1 January 2026, increase both the income threshold for the preparation of consolidated accounts and the audit income threshold (above which a charity must have its financial statements audited rather than independently examined) from £500,000 to £1,000,000.

## CLIENT MONEY:

### SRA CONSULTATION REGARDING PROTECTION OF CLIENT MONEY:

The Solicitors Regulation Authority ("SRA") has published a consultation on new proposals to strengthen safeguards for client money and their Press Release highlights that there are the following proposed changes to the rules on accountants' reports:

"The information provided in accountants' reports can help to identify firms that are placing client money at risk, allowing the regulator to take appropriate action. Our recent spot-check exercise identified significant non-compliance with our rules. The proposals in the latest consultation are designed to enhance oversight without placing unnecessary burden on firms. They include:

- The introduction of a mandatory annual declaration that all firms must complete, to provide a record of compliance;
- A requirement to submit all accountants' reports, both qualified and unqualified, which will assist us in identifying issues and allow us to tailor our future approach to data collection;
- A requirement that reporting accountants submit reports directly to us in future, to give increased assurance; and
- The introduction of fixed financial penalties to firms who submit late or provide incomplete declarations, to drive compliance."

**HAT RESPONSE**
HAT will continue to monitor the position and highlight changes to the SRA Accounts Rules when finalised. The changes are minor, but they will fundamentally alter how an engagement is finalised.

### FCA UPDATES REGARDING REGULATION OF CRYPTO ASSETS:

The FCA has published a new webpage focused on the new cryptoasset regulatory regime, which is expected to come into force on 25 October 2027 and in respect of which any firm wishing to undertake any of the new cryptoasset regulated activities will need to be authorised by them.

In addition, as part of preparations for introducing a new UK crypto regime:

- In December 2025, the government laid the draft Financial Services and Markets Act 2000 (Cryptoassets) Regulations before Parliament which, if approved, will bring cryptoassets within the FCA's regulatory remit; and
- The FCA has published three consultation papers (CPs):
  - CP25/40: Regulating cryptoasset activities;
  - CP25/41: Regulating cryptoassets – Admissions and disclosures and market abuse regime for cryptoassets; and
  - CP25/42: A prudential regime for cryptoasset firms.

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