HAT Group
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YOUR COMPLIANCE PARTNER

Updates and Insights

Issue 6.2026

Edited by Simon Kettlewell

Welcome

Welcome to the latest edition of HAT Updates and Insights.

With holiday season rapidly approaching, you might be forgiven for thinking that the pace of change might be slowing somewhat. However, as can be seen from the Technical Update section, there is lots to keep abreast of in terms of audit, company law, money laundering and specialist areas.

As mentioned last time, in order to support firms and their clients with the adoption of the revisions to FRS 102, we have developed a practical guide outlining the key updates: FRS 102 - Make sure you and your clients are ready - HAT Group.

Recordings of our recently held FRS 102 courses are available to purchase:

- FRS 102: What you need to know
- Revenue recognition: critical changes
- Charities Update: Preparing for the new SORP

We can also provide tailored FRS 102 training, which can be delivered in-house. Please get in touch to discuss how we can support you.

All the best for the Summer.

Simon

Simon Kettlewell - Technical Director

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Upcoming Courses and Events

Our website provides details of all our current courses.

Courses for 2026 include:

Course	Presenter	Date	Location
Effective Audit Review	Adam Loake	12 November 2026 9.30am – 4.30pm	In person
AML Compliance: A guide for Senior Management	Simon Kettlewell	12 November 2026 2.00pm – 4.00pm	Online
Audit Planning Workshop	Kate McCaffrey	26 November 2026 9.30am – 12.30pm	In person
FRS 102: What You Need to Know	Kate McCaffrey	2 December 2026 9.30am – 12.30pm	Online

A recording of our recently held 'Revenue recognition under FRS 102: Critical changes', 'FRS 102: What You Need to Know', and 'Charities Update 2026, including FRS 102 changes' courses are available. Contact us for more details.

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Career Development Courses

Our popular Career Development course programme covers the skills needed for trainees and newly qualified staff. Full details are provided below.

Course	Date	Venue
Kickstart Your Career	28 August 2026	London
Introduction to Accounting	14 – 18 September 2026	London
Introduction to Auditing	21 – 25 September 2026	London
Advanced Accounting	7 - 8 January 2027	London
Practical Auditing	2 – 6 November 2026	Residential – Ipswich
A Practical Introduction to UK GAAP	14 – 15 January 2027	London
Becoming an Effective Audit Senior	5 - 9 October 2026	Residential – Norwich
Becoming an Effective Supervisor	9 – 13 November 2026	Residential – Venue TBC
Being an Effective Manager	18 - 19 November 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.

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Updates To The HAT Methodologies

The following updates have been released in past few months:

Reference	Date	Content
TM 01/26	9 February 2026	HAT Charities Methodology – 2025 Update
TM 02/26	25 February 2026	HAT Pension Schemes Methodology: 2025 Update
TM 03/26	25 February 2026	HAT Not For Profit Entities Methodology: 2025 Update
TM 04/26	25 February 2026	HAT RSHP's methodology: 2025 Update
TM 05/26	27 February 2026	FRS 102 (Sept 2024) Disclosure Checklists
TM 06/26	16 March 2026	HAT Practice Assurance Framework: 2026 Update
TM 07/26	3 June 2026	HAT FCA CASS Reporting methodology: 2026 Update
TM 08/26	9 June 2026	HAT Academies methodology: 2026 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 BrightWorkpapers. For full details of the availability of our documentation within these platforms please contact us.

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Company Law

Amendments To Companies House Filing Requirements

The government has announced how accounts reforms measures set out in the Economic Crime and Corporate Transparency Act 2023 ("ECCT Act 2023") will be implemented and their Press Release includes:

"Under the ECCT Act 2023, the government will reform how companies report information and what information they report when filing their annual accounts with Companies House. After some consideration, the government will proceed with the accounts reforms, including the following:
Accountants, which introduced explicit ethical requirements for using the work of external experts in audit and assurance engagements."

Comments are requested by 10 July 2026, with the amendments being proposed to apply to accounting periods commencing on or after 15 December 2026.

- Requiring small companies and micro entities to file profit and loss accounts with Companies House as other companies do, but with the option to opt out of publishing this information on the public register;
- Requiring all companies to file their annual accounts via commercial software;
- Removing the option for companies to file abridged accounts;
- A strengthened eligibility statement for all companies claiming an audit exemption;
- Requiring component parts of the filed accounts and reports to all be filed together; and
- Reducing the number of times a company can shorten its accounting reference period.

To give companies more time to prepare, this package of accounts reforms will now come into effect from April 2028, rather than April 2027. This means all companies will have one full accounting year, plus 9 months (21 months) to get ready."

This is a more detailed version of a Written Ministerial Statement, which also advises that the Government will remove the requirement for any company to produce a Directors' Report as part of their Annual Report and Accounts.

HAT RESPONSE

Whilst an announcement has been made, there is currently no draft legislation. An update will be provided once this is available and HAT has analysed the detailed proposed requirements.

ACTION FOR FIRMS

There should be communication with clients to advise them of the changes, particularly if they may be adversely affected (such as if they prepare abridged accounts or perform their own filing).

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Auditing / Ethical / Assurance Standards

Revised Auditor Reporting Standards

The Financial Reporting Council ("FRC") has revised three auditing standards to make auditor's reports shorter and clearer and their Press Release includes:

"The changes update three UK auditing standards - ISA (UK) 700, ISA (UK) 701 and ISA (UK) 720 - following a public consultation. Auditor's reports have grown increasingly lengthy in recent years, often filled with boilerplate language. The revised standards address this directly by removing unnecessary reporting requirements, sharpening the focus on information that investors find useful, and bringing UK standards into closer alignment with international equivalents."

The revised standards will take effect from 15 December 2026 for accounting periods commencing on or after that date.

HAT RESPONSE

An FRC Bulletin is expected, to provide templates for audit report wording. Once finalised, guidance will be provided and updated wording will form part of the 2027 Update to HAT Methodologies

FRC Staff Guidance On Status Of PISCES Market

The Private Intermittent Securities and Capital Exchange System ("PISCES") allows certain categories of investor to trade shares in private companies at intermittent trading events. A FRC Staff Guidance Note explains why the FRC has determined that companies traded on PISCES should not currently be treated as listed entities for the purposes of applying the Ethical Standard and sets out the principles underlying that determination.

ACTION FOR FIRMS

Firms acting as auditors to companies listed on PISCES should be aware of this guidance to ensure that such entities are correctly categorised from an ethical perspective.

FRC Initiatives To Reduce Regulation

The FRC has announced an expansion of its innovation programme, inviting audit firms and companies to work directly with it to explore new technologies, simplify corporate reporting, and reduce unnecessary burdens in the audit market. Their Press Release includes:

"Three new initiatives are designed to accelerate change and they represent the next stage of work from the FRC's Innovation and Improvement (I&I) Hub.

Supporting innovation in audit technology:

AI and advanced software have the potential to significantly strengthen audit quality, improve efficiency, and increase competition to support an audit market. The FRC has published guidance on AI in audit and through the new Audit Tech & AI Sandbox will provide direct access to regulatory expertise, helping firms move faster and with greater confidence. It is designed to support those developing or adopting technology including generative and agentic AI, advanced software or other innovative tools.

Helping companies simplify annual reporting:

The FRC is also opening applications for a second round of its Simplifying Annual Reporting Sandbox, which aims to address one of the most consistent complaints that annual reports are too long and complex. It will work with companies to streamline disclosures and improve clarity to better meet the needs of investors and reduce potential burdens on businesses. It will prioritise smaller listed companies, particularly Small Cap companies, which face distinct challenges in streamlining their reports.

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Sharing learning on SME audit materiality:

The FRC has published the output from its sandbox initiative on materiality for SMEs, focusing on how to achieve a proportionate approach when providing audit services to smaller organisations. This follows up the findings of the FRC's market study, which highlighted a perceived lack of scalability of auditing standards which can risk creating unnecessary work. It explores potential solutions, including greater use of judgement and a role for the FRC in working with RSBs towards more consistent and appropriate audit inspection for SMEs."

HAT RESPONSE

These are areas which are evolving over time and where possible, HAT will reflect measures which will be supported by audit regulators, within the suite of HAT Audit Methodologies.

Accounting Standards

Proposed Amendment To AIM Rules For Companies

The London Stock Exchange has published a consultation on changes to the AIM Rules for Companies. Whilst the key matters included in the consultation seek to reduce unnecessary regulatory burdens on admission and support AIM companies undertaking transactions, from a financial reporting perspective, the most far reaching proposal is one to permit AIM listed companies incorporated in the UK to use UK GAAP instead of IFRS.

HAT RESPONSE

Once the outcome to the consultation has been finalised, HAT will reflect the confirmed amendments in the HAT Audit Methodology.

Anti-Money Laundering

Updated Money Laundering Regulations

As expected, The Money Laundering and Terrorist Financing (Amendment) Regulations 2026 (S.I. 2026 / 621) have been laid before Parliament to amend the "Money Laundering Regulations 2017" ("MLR") and the amendments came into force on 30 June 2026.

The Explanatory Note summarises the following as being the key changes which may impact accountants, auditors and tax advisers:

- Replacement of various references to euros throughout the MLR with references to sterling, converting these references on a 1:1 basis (for example, 10,000 euros becomes £10,000), except where to do so would risk failing to meet the recommendations on combating money laundering and the financing of terrorism and proliferation, set by the Financial Action Task Force ("FATF");
- Amending the MLR to bring the service of selling an "off-the-shelf firm" within scope of the services that a "trust or company service provider" provides and specify that this service is to be treated as a business relationship;
- Substituting the definition of "high-risk third country" for a new definition of "FATF call for action country"; and
- Varying the threshold for enhanced due diligence measures so that they apply to transactions that are unusually complex or unusually large given the nature of the transaction.

HAT RESPONSE

Although the changes are limited in number, they are potentially fundamental. As such, time has been set aside to reflect these amendments within the HAT AML Procedures.

ACTION FOR FIRMS

Despite these amendments, firms are advised to consider including in their revised procedures circumstances when links to FATF Grey List countries will trigger enhanced due diligence.

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Revised FATF Grey List

The outcomes from the recent FATF meeting include adding Bosnia and Herzegovina and Iraq to the list of jurisdictions under increased monitoring and removing Algeria and Namibia from the list of jurisdictions under increased monitoring.

ACTION FOR FIRMS

As noted above, firms that retain the status quo regarding the FATF Grey List should be aware of these changes which have been made following the FATF Plenary Meeting in June 2026.

Response To AML Consultation

HM Treasury has published a response to a consultation of the future of AML regulation for professional firms, which includes an Executive Summary which states that the key policy decisions on the proposals are:

- The FCA will become responsible for registering professional services firms carrying out AML / CTF regulated activity and for maintaining a public register of those firms;
- The application of "fit and proper" requirements, enabling supervisors to assess the integrity, competence and compliance history of firms and their beneficial owners, officers and managers, will be extended across legal and accountancy service providers;
- Existing duties relating to risk-based supervision will apply to the FCA's expanded remit, which requires supervisors to identify and assess money laundering and terrorist financing risks, develop and maintain risk profiles, and apply a risk based approach to monitoring;
- The responsibility for issuing and approving AML / CTF guidance for professional services firms would transfer to the FCA. Industry input would continue to play an important role in the development of guidance, ensuring it remains practical and reflective of sector-specific expertise;
- The government will place an ongoing requirement on the FCA and existing PBSs to establish information-sharing and cooperation arrangements to support a more joined-up supervisory system and minimise duplication for firms;
- The Government intends for the FCA's AML / CTF supervisory activities to be funded on a cost-recovery basis through fees charged to supervised firms, consistent with its existing funding model. The FCA would consult separately on the detailed structure and operation of these fees; and
- A range of transitional arrangements will be necessary to support a smooth and low-burden transfer to the new supervisory model, including enhanced cooperation and information-sharing, alongside reliance on existing data and approvals where appropriate to avoid duplication.

ACTION FOR FIRMS

The transfer of responsibility to the FCA remains some time away, but it does not appear that, other than in minor respects, there will be any alteration to a firm's processes on a day to day basis.

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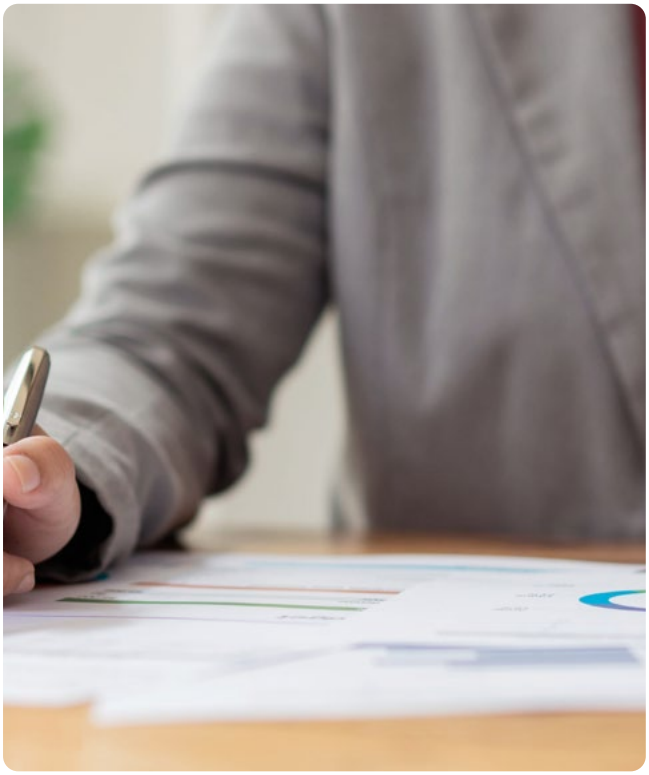

ICAEW / ACCA / Regulatory

ICAEW Practice Assurance Monitoring Report

ICAEW have issued their Practice Assurance Monitoring Report 2026, sharing the findings from more than 2,000 reviews carried out in 2025 by ICAEW's Quality Assurance Department and their Press Release highlights that the top areas identified include:

- Money Laundering Regulations and Clients' Money Regulations;
- Basis of fees and complaints, and engagement letters;
- ICAEW records and annual returns;
- Referrals and commissions; and
- Professional indemnity insurance (PII), eligibility and more.

ACTION FOR FIRMS

Practice Assurance partners should familiarise themselves with the findings in order to ensure that their firms are not experiencing similar issues within their practice.

Charities

Updated Charity Commission Guidance On Grant Making

The Charity Commission has published new guidance to help charity trustees make confident, responsible grant-making decisions at a time when many charities are facing sustained financial pressure and their Press Release includes:

"This guidance explores the fundamentals of effective grant-making, from setting funding priorities and carrying out due diligence, to monitoring grants and reporting impact. It replaces and expands previous guidance to now cover all grant making.

It makes it clearer that grant-making charities have the flexibility to provide unrestricted grants to charities with the same, or narrower, purposes than their own and explains that charities can fund organisations that are not charities, which can help reach new beneficiaries or grow grant-making charities' impact. However, given that non-charities are less regulated, trustees must take reasonable steps to assess and manage potential risks.

In all cases, grant-making charities must have a written agreement in place and should monitor it to make sure the recipient organisation is meeting the agreed terms. The Commission expects charities to complete appropriate checks on potential recipients of funds, including ensuring they understand how the organisation operates, checking if it is genuine, and that the grant can be effectively monitored.

The full guide can be found on gov.uk."

ACTION FOR FIRMS

For the auditors of charities, the Grants Audit Programme in the HAT Charities Methodology includes ensuring grants are provided in accordance with a charity's procedures (including monitoring).

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Client Money

SRA Confirmation Of Enhanced Client Money Safeguards

Following consultation earlier in the year, the Solicitors Regulation Authority ("SRA") is implementing reforms to strengthen protection around client money and ensure ongoing compliance within firms. Their Press Release includes:

"We consulted on a series of potential changes relating to firms' obligations around accountants' reports, and reinforcing the checks and balances provided by compliance officers and following feedback, we have submitted proposed rule changes in both areas to the Legal Services Board ("LSB") for final approval.

Accountants' reports:

Under the new rules all law firms that hold client money will be required to submit annual accountants' reports to the SRA and provide key further information through a declaration. Where exemptions apply, firms will be required to provide information on their exemption status. Fixed financial penalties will be extended to address late or non-submission, encouraging timely compliance with these requirements.

Separation of roles:

Higher risk firms with a turnover of more than £600,000, or holding more than £2m of client money, will be required to make sure that individuals who can make significant decisions about how the firm is run, cannot also be the compliance officers for legal practice and finance and administration. There will be a partial exemption for smaller sole owner manager firms, where there are practical constraints to separating out roles and where the firms present different risk characteristics to larger or more complex practices.

Subject to LSB approval, these are expected to come into force in the next year."

HAT RESPONSE

Once the effective date has been confirmed, HAT will ensure that any required amendments are made to the HAT SRA Accounts Rules Methodology.

FCA Policy Statements On Cryptoasset Regulation

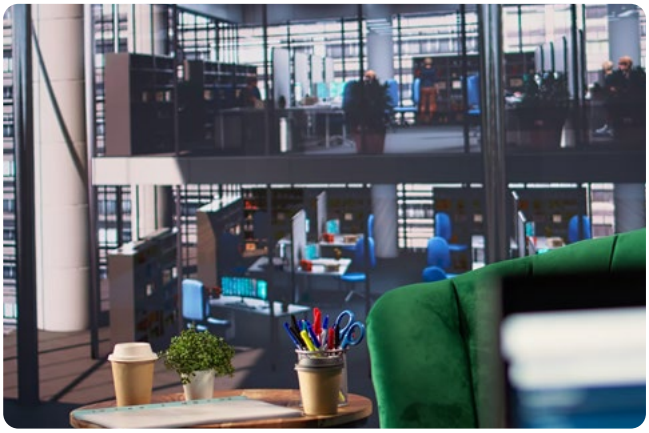
The Financial Conduct Authority has published policy statements setting out final rules for their cryptoasset regulatory regime. Their Press Release includes:

"From October 2027, firms carrying out cryptoasset activities in the UK will need to be authorised by us. The regime covers the full lifecycle of cryptoasset activities, including trading, custody, safeguarding, staking and redemption, with specific provisions for stablecoins. Our final rules give firms clarity on what is expected across regulated cryptoasset and stablecoin activities from consumer protection and conduct to safeguarding and financial resilience. They build on established standards, adapted for the realities of crypto markets.

We can't regulate away risk, however, and crypto remains a high risk investment. But this framework provides a stronger foundation for a more sustainable crypto market in the UK, with clearer expectations for firms and improved protections for consumers."

HAT RESPONSE

Time will be set aside during 2027 to determine the impact on the HAT CASS Reporting Methodology, to identify amendments which are required, and to set aside time for these to be processed.



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