HAT Group
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YOUR COMPLIANCE PARTNER

Updates and Insights

Issue 7.2026
Edited by Simon Kettlewell

Welcome

Welcome to the latest edition of HAT Updates and Insights.

I hope you all had a good summer and if you managed to get away, I hope you have come back refreshed and recharged for the usually busy filing season.

Over the summer, work has been undertaken to update our core methodologies for the changes to FRS 102. The Corporate Audit pack will also factor in some of the elements of the FRC's SME Practice Note. With a few final amendments to be made, we anticipate releasing these methodologies soon, with updates from our software partners to follow. Keep an eye out for the Technical Memos which will explain the changes made.

Following on from the updates to the core methodologies, the specialist methodologies will be updated later in the year.

We have had discussions with a number of technology providers over the last few weeks, all of whom provide tools that can benefit audit teams. These include:

- Platformed (https://platformed.com/)
- AuditBot (https://auditbot.co/)
- Audit Toolbar (https://www.audittoolbar.com/)

If you would like to discuss how these tools can benefit your practice, please contact Getrude or myself in the first instance.

Finally, if you need any assistance with preparing for the changes to FRS 102, please get in touch to see what we have to offer.

Simon Kettlewell - Technical Director

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Upcoming Courses and Events

Our website provides details of all our current courses.

Courses for the remainder of 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.

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.

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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	8 January 2027	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

We anticipate releasing updates to our Corporate Audit, Non-Audit, Groups and LLP methodologies in the coming weeks. The updates being processed are primarily driven by the changes to FRS 102, although other enhancements are also being made. The Technical memos will provide further details on the changes made – please do keep an eye out for these.

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

Fit And Proper Requirements For ACSPS

Companies House has set out criteria against which it will assess whether an applicant, or existing Authorised Corporate Service Provider ("ACSP"), is fit and proper to carry out the functions of an ACSP.

It is acknowledged that there will be some overlap with considerations applied by AML supervisors, although anything performed by Companies House will be independent of such checks. However, it is noted that not responding to Companies House may be a reason why an ACSP (or entity applying to be an ACSP) may not be regarded as fit and proper by Companies House.

Amendments Regarding Information On The Public Register

The Register of Overseas Entities (Protection and Trusts) and Limited Liability Partnerships (Application of Company Law) (Amendment) Regulations 2026 (S.I. 2026 / 778) came into force on 9 July 2026. These amendments provide certain reliefs from information being included on the public register for overseas entities and for limited liability partnerships, remove the requirement to provide a service address for certain persons with significant control.

ACTION FOR FIRMS

These are technical changes with limited impact. Firms should be aware of these changes as they may have a direct impact on either themselves or their clients.

Auditing / Ethical / Assurance Standards

FRC's Annual Review Of Audit Quality:

The Financial Reporting Council ("FRC") has published its Annual Review of Audit Quality ("ARAQ") 2026 and their Press Release includes:

"The ARAQ provides a market-wide assessment of audit quality and is designed to support better decision-making by audit firms, audit committees and other users of audit. It combines the assessment of Systems of Quality Management ("SoQM") with audit file inspections to provide a balanced analysis of the factors shaping audit quality, including firms' systems, governance and operating models.

The report shows that SoQMs are the foundation of audit quality, underpinning the consistent delivery of quality audit engagements and creating the conditions for sustainable improvements over time. While progress in audit quality continues to be made, the level of consistency varies across the market. A gap between the largest and smallest firms persists, particularly in relation to the development and investment in SoQMs. Strengthening firm-wide systems and capability is therefore central to delivering sustained improvements in audit quality.

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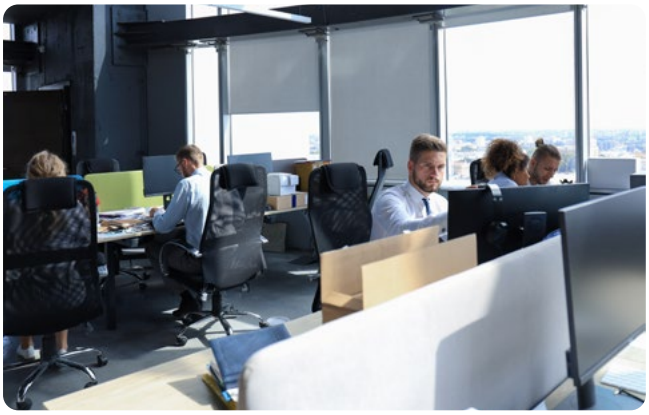
Effective regulation creates the conditions for better decision-making. This is a key driver in the FRC's revised supervisory approach. The FRC has moved to a risk-based and more tailored approach that supports learning and drives improvements across the system. Alongside these revisions, the FRC is implementing targeted programmes to address the underlying drivers of inconsistency across the market. This includes work to build audit firm capacity and capability, and initiatives such as the Audit and Technology Sandbox. These are designed to support innovation, improve audit delivery and help firms develop more effective systems and processes."

FRC Insights Into Materiality

The FRC has published insights in the application, and assessment, of materiality within corporate reporting. Their Press Release highlights that these insights are intended to help companies, investors and other stakeholders by acting as prompts to stimulate thinking and build a clearer understanding of how materiality can be considered in practice, whilst emphasising that materiality is a matter of judgement.

Proposed ISA Amendments

The IAASB has commenced a consultation on certain ISA amendments. Although changes need to be confirmed internationally, before adoption in the UK (which may result in further amendments), the consultation indicates future amendments which are likely to come into force. Their Press Release includes:



"The International Auditing and Assurance Standards Board ("IAASB") has released for public consultation proposed revisions to three International Standards on Auditing (ISAs): ISA 330, The Auditor's Responses to Assessed Risks; ISA 500, Audit Evidence; and ISA 520, Analytical Procedures.

The proposed revisions establish a comprehensive basis for auditors' judgments about audit evidence. They include:

- A revised definition of audit evidence to reflect today's digital environment;
- Greater emphasis on the intended purposes of audit procedures;
- Strengthened requirements for evaluating the relevance and reliability of information used as audit evidence;
- Clarification of key concepts; and
- Reinforced application of professional scepticism throughout the audit.

The proposals also strengthen auditors' responses to assessed risks by clarifying the role of tests of controls, substantive procedures, and analytical procedures. The proposals reflect the IAASB's conclusion that a principles-based rather than technology-specific approach is the best way to maintain robust and relevant standards in the face of rapid technological evolution. They enable innovation while preserving the core principles of high-quality auditing. In addition, the proposals include guidance to help auditors exercise professional judgment about appropriate use of technology.

The proposed revisions also improve the alignment of concepts and principles across the auditor's risk assessment, responses to assessed risks, and evaluation of whether sufficient appropriate audit evidence has been obtained."

ACTION FOR FIRMS

There is no immediate impact as a result of any of the above. An awareness of current issues is beneficial in understanding the output and thought process of standard setters and regulators.

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Accounting Standards

Updated AIM Rules For Companies

The London Stock Exchange has issued AIM Notice 64, which confirms that companies listed on AIM can prepare their consolidated financial statements in accordance with UK GAAP, as an alternative to utilising IFRS. These changes are effective from 5 August 2026, as set out in the revised AIM Rules for Companies.

Anti-Money Laundering

Updated CCAB AML Guidance

Further to the Money Laundering Regulations being amended at the end of June 2026, CCAB have issued an update to their Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector. They advise that the guidance is based on the law and regulations as of 1 July 2026 and has been approved and adopted by the UK accountancy anti-money laundering supervisory bodies.

The update is summarised as including:

- Changes as a result of amendments to the MLR relate to clarification for enhanced due diligence on complex transactions, the change in the definition of a high risk third country, currency thresholds being moved to sterling and the activity of selling "off the shelf companies";
- Areas that HM Treasury requested to refresh are triggers that would warrant enhanced due diligence being performed and clarification as to when a source of funds check is required; and
- A new section, based on JMLSG guidance, introduces a hierarchy of reliable and independent documents when verifying the identity of a beneficial owner.

HAT RESPONSE

As guidance has now been published following the amendment to legislation, time will be set aside to reflect these updates within the HAT Anti-Money Laundering Procedures.

ICAEW / ACCA / Regulatory

Revised Third Country Auditor Directions

A technical amendment has been issued by the FRC. Their Press Release advises that the FRC has issued revised Third Country Auditor (TCA) directions to temporarily enable audits of Chinese-registered entities, listing on certain segments of the London Stock Exchange to be undertaken in accordance with Chinese Standards on Auditing (CSAs). The revised TCA directions apply from 1 September 2026.

Charities

Charity Sector Risk Assessment 2026

The Charity Commission has published their second annual Charity Sector Risk Assessment and the key areas of concern include the following:

- Financial resilience, including the ability to continue in operation;
- Risk to public benefit and hence charitable status;
- Governance risks, including not complying with sector guidance; and
- Other areas such as safeguarding, social tensions, operating overseas and emerging technologies.

Whilst this has been published by the Charity Commission, its content is relevant to the audit or independent examination of any charity where the risks may directly or indirectly have a financial impact.

ACTION FOR FIRMS

The release from the charity regulator highlights current areas of concern and as such, should be referred to before auditing or independently examining the financial statements of a charity.

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CLIENT MONEY

CLC Warning On Client Account Shortfalls

The most recent newsletter from the Council for Licensed Conveyancers ("CLC") highlights a specific problem regarding client accounts. Whilst this specifically relates to Licensed Conveyancers, there is a risk that a similar issue could arise with other professionals who hold client money in respect of property transactions. Their newsletter article includes:

"The CLC has noted a number of accounts issues on recent inspections. These issues arise when switching between different software providers (such as case management systems). The pattern that we have identified is that client account shortfalls have been attributed to issues arising from the change of provider.

Practices are reminded of the importance of compliance with the strict CLC rules regarding shortfalls on the client account as set out in the CLC Accounts Code, specifically the following:

- 3.5 - Any shortfall on Client Account must be replaced Without Delay. The Client side of the Client ledger must not go into debit; and
- 3.9 - The CLC Practice must advise the CLC Without Delay of the discovery of any misappropriation of Client funds and must make good any shortfall from its Office Account Without Delay.

For the avoidance of doubt, such shortfalls, even if arising from errors, change of software provider or software glitches, must be advised to the CLC without delay. We will then work with the practice to resolve the issue.

If, when preparing your reconciliations, you note that there is a shortfall between the client account and the matter listing - we would ask that you come forward to the CLC immediately.

Whilst the monitoring team will consider cases of non-compliance with the Accounts Code on their merits, proactive reporting the moment a practice identifies the non-compliance is likely to be viewed as a mitigating factor, demonstrating not only an understanding of the Accounts Code requirements, but recognition by the practice of the importance of taking immediate steps to put the matter right and comply with the Code."

ACTION FOR FIRMS

Whilst this is a press release from the CLC, the risk of shortfall can arise for any entity handling client money. As such, this should be reflected as a risk when acting as a Reporting Accountant.

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