HAT Group
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YOUR COMPLIANCE PARTNER

Updates and Insights

Issue 8.2026
Edited by Simon Kettlewell

Welcome

Welcome to the latest edition of HAT Updates and Insights.

It often feels as though the pace of change in accounting and audit seems relentless. This has never been so true!!

It would be remiss of me to not start with the Government's Modernisation of Corporate Reporting consultation, issued on 7 September. The proposals set out in this consultation are extensive and far reaching and could have significant repercussions for the audit profession. One of the headline proposals is the suggestion that small company reporting and audit exemptions would be extended to medium-sized companies. A high-level summary of the proposals can be found in the Technical Update section, but the consultation document itself runs to 70 pages and I would encourage you all to read through this and to consider responding to this consultation.

We have had confirmation from the Charity Commission that the new accounting thresholds come into effect for financial years ending on or after 30 September 2026.

Alongside the updated CCAB AML Guidance issued a few weeks ago, the new AI guidance from CCAB, proposed amendments to ISAs and new FRS 102 just around the corner, there is an awful lot for firms to contend with. We will be covering all of these matters, and more, in our Quarter 4 Update.

Updates to the core methodologies were issued on 2 October – the supporting technical memos provide the relevant details. Updates from our software partners will be released in due course. Following on from the updates to the core methodologies, the specialist methodologies will be updated later in the year.

In the face of ever-changing requirements, we are here to support you as "your compliance partner".

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	25 – 29 January 2027	London
Introduction to Auditing	1 – 5 February 2027	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	19 – 23 April 2027	Residential – Norwich
Becoming an Effective Supervisor	10 – 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 07/26	3 June 2026	HAT FCA CASS Reporting methodology: 2026 Update
TM 08/26	9 June 2026	HAT Academies methodology: 2026 Update
TM 09/26	2 October 2026	HAT Corporate Audit methodology: 2026 Update
TM 10/26	2 October 2026	HAT Groups methodology: 2026 Update
TM 11/26	2 October 2026	HAT LLP methodology: 2026 Update
TM 12/26	2 October 2026	HAT Non-Audit Assignments methodology: 2026 Update

The "core" methodology packs have been updated principally as a result of the application of FRS 102 (September 2024), which is effective for periods commencing on/after 1 January 2026. Details of the changes are set out in the Technical Memos, which can be accessed here.

In addition, the Proforma Docs folder has been updated. This includes an updated Engagement letter cover letter and an updated Terms of Business template. The Terms of Business template has seen the most significant amendments, being made to the limitation of liability clauses and the introduction of a section related to the use of Artificial Intelligence.

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

Modernising Corporate Reporting

The Department for Business, Innovation, Science and Trade has commenced a consultation setting out the government's proposals to modernise the UK's corporate reporting framework, with the objective of supporting economic growth and strengthening the UK's international competitiveness. The consultation runs until midnight on 30 November 2026, with a response expected to be provided by the Government no later than 31 May 2027.

The proposals are extensive and far-reaching and the consultation document summarises the implications for different types of businesses as being:

"**Smaller companies** could benefit from proposals to simplify and clarify financial reporting requirements.

Medium-sized companies could benefit from proposals to allow them to claim the wider package of exemptions that currently apply to small companies. This could include allowing certain medium-sized companies to claim an audit exemption, which could result in significant cost savings for these organisations.

Most medium-sized private companies will benefit from the exemption of preparing a strategic report.

Larger companies would be likely to benefit from:

- Proposals to simplify strategic reporting requirements;
- Reforms that provide an exemption for subsidiaries where strategic reports are provided at a group level; and
- Proposals to simplify corporate governance and remuneration reporting.

Private companies will wish to consider aspects of the consultation that test the value of non financial and governance reporting in the context of private company financing. The government has not finalised these proposals, but this consultation provides an opportunity to offer views on how the UK's corporate reporting requirements should reflect different ownership structures and financing arrangements."

HAT RESPONSE

As it will be next summer before Government responds to the consultation's submissions, HAT will remain alert to publication of this response and the timescale of any implementation.

Change To Consultation Process Prior To Law Being Enacted

A statement has been jointly issued by HM Treasury, the Cabinet Office and the Attorney General's Office, proposing a fundamental change to the way in which consultations are conducted in advance of law being enacted. It includes:

"The way government approaches policy making is not functioning as well as it could. Consultation culture has turned a sensible mechanism for sourcing external input into an industry of dither and delay, which can drag policies to a lowest common denominator outcome. We will end this trend by reasserting that there is no general duty of consultation, and that the default position should be that ministers reach decisions and proceed to act on them.

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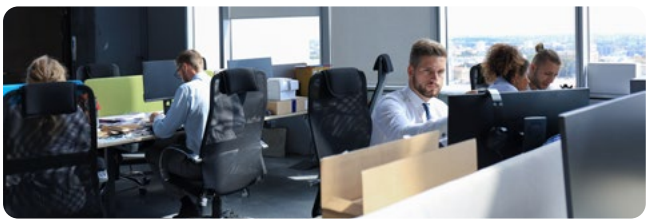
Formal consultation should only take place where there is a statutory requirement to consult, where it would be conspicuously unfair not to consult, or where ministers believe there is a good case for seeking external input and that the right vehicle for doing so is a formal consultation."



Auditing / Ethical / Assurance Standards

Revised Audit / Assurance Standards

The Financial Reporting Council ("FRC") has revised one UK auditing and one UK assurance standard to maintain alignment with changes made to equivalent international standards issued by the International Auditing and Assurance Standards Board ("IAASB") and their Press Release includes:

"The FRC strongly supports maintaining alignment with international standards issued by the IAASB unless there is an overriding public interest reason for taking a UK-specific approach. The revised standards are: ISA (UK) 620 (Revised September 2026) – Using the Work of an Auditor's Expert; and ISAE (UK) 3000 (Revised September 2026) – Assurance Engagements Other Than Audits or Review of Historical Financial Information.

These revisions maintain interoperability with the International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants which introduced explicit ethical requirements for using the work of external experts in audit and other engagements.

The revised standards are effective for audits of financial statements for periods commencing and assurance reports dated on or after 15 December 2026."

HAT RESPONSE

Although these changes are minor, as the ISA (UK) 620 amendment will apply to December 2027 year ends, this will be reflected within the next year's HAT Methodology Update.

Accounting Standards

FRC's Annual Review Of Corporate Reporting

The FRC has published their Annual Review of Corporate Reporting. Their Press Release highlights that although the quality of corporate reporting is improving, cash flow statements, financial instruments, impairment of assets, fair value measurement and revenue were identified as the most common areas where substantive questions were raised.

ACTION FOR FIRMS

Although the review focuses on listed companies, given the substantial alignment between UK GAAP and IFRS, care should be taken when preparing / auditing disclosures in these areas.

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Anti-Money Laundering

Amendment To Iran Sanctions Legislation

The Iran (Sanctions) (Amendment) Regulations 2026 (S.I. 2026 / 983) came into force on 29 September 2026. The Explanatory Note summarises these changes as amending the Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019 (S.I. 2019 / 461) and the Iran (Sanctions) Regulations 2023 (S.I. 2023/1314), with the key amendments being to:

- Impose new financial measures including introducing prohibitions on: investments in relation to Iran; accounts or corresponding banking relationship with Iranian entities; the provision of insurance and reinsurance services to persons connected with Iran and on the sale or purchase of Iranian bonds;
- Impose new trade sanctions in relation to gold, precious metals and diamonds; energy-related goods or technology; sectoral software goods and sectoral software and technology; specified relevant goods and technology; oil and petroleum products; petrochemicals and natural gas and ships. It also imposes sanctions on the provision and procurement of services relating to specified ships; and
- Impose various measures in relation to Iranian aircraft and specified ships.

ACTION FOR FIRMS

Whilst this is likely to have minimal impact for firms generally, for those that have clients operating in these areas, they should be alert as to the implications of the ongoing client relationship.

FCA Update Regarding AML Supervisory Reform

The Financial Conduct Authority ("FCA") have issued an update regarding the proposal to transfer supervision of accountancy / audit firms for anti-money laundering purposes to them. They have advised that nothing changes immediately as reform relies on the Government passing new legislation. The expectation is that legislation will be passed in 2027, that transition of supervision will commence in 2028 and that the transfer of supervision of all firms will be complete by the end of 2030.

ICAEW / ACCA / Regulatory

Proposed Change In Definition Of Chartered Accountancy Firm

ICAEW has launched a consultation, which runs until 4 November 2026, on proposed changes to the regulations that determine which firms can describe themselves as Chartered Accountants. Their Press Release advises that the main proposed changes are:

- A simpler test based on principals and voting control;
- Recognition of indirect control;
- Removal of non-voting share requirements;
- An updated definition of a principal;
- Further consideration of group and holding company structures;
- Proposal to align the requirements for ICAEW general affiliates with other types of ICAEW affiliate; and
- Clarification of the factors for assessing dispensation applications from firms ineligible to use the description Chartered Accountants."

ACTION FOR FIRMS

Whilst these are currently proposals, for firms that would benefit from the proposed amendments, they should remain alert to the finalisation of any amendments from ICAEW.

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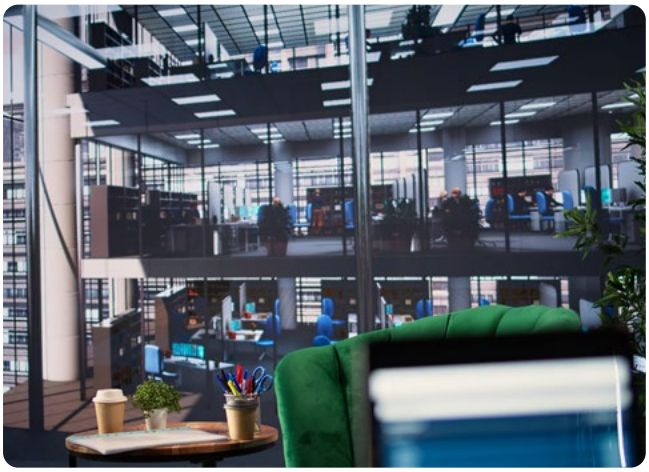
Change To ICAEW Statement On Engaging In Public Practice

ICAEW have updated their "Statement on Members Engaging in Public Practice" to reflect a change in the threshold for small charities (on 30 September 2026), with the revised ICAEW Statement applying from 1 October 2026.

This change means that an ICAEW member can undertake an independent examination of a small charity with gross income less than or equal to £500,000 (from the previous threshold of £250,000) without a practising certificate as long as the service is provided pro bono or for a token non-monetary reward.

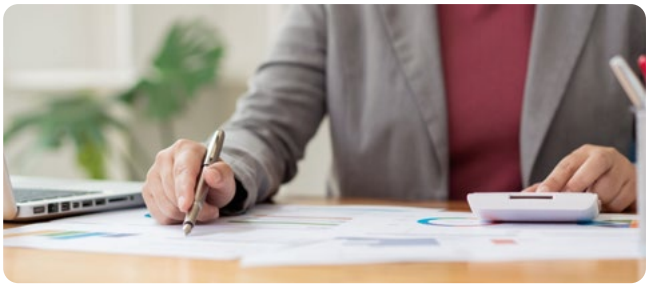


FRC SETS OUT VISION FOR MODERN AND EFFECTIVE REGULATION

The FRC has published an update to its Approach to Regulation and their Press Release includes:

"'Our Approach to Regulation' reinforces the FRC's commitment to serve the public interest through targeted, effective and agile regulatory activity. The FRC's regulatory approach centres on:

- **Enabling Growth** – Supporting business-led growth by shaping the conditions for success. Through its Innovation and Improvement Hub, ScaleBox programme and regulatory sandboxes, the FRC is helping firms innovate, build capability and navigate an evolving regulatory environment with greater confidence;
- **Proportionate and Practical Regulation** – Utilising tailored, principles-based regulation focused on reducing burden while upholding trust. This includes first of its kind guidance, already released to support the audit firms in the use of generative and agentic AI tools in audit engagements;
- **An Integrated Model** – Aligning standards, supervision, and enforcement to drive improvement and support market confidence. Through its reviews of its supervision and enforcement models, the FRC has already prioritised creating a more joined-up approach to support continuous improvements and accountability; and
- **An Engaged Regulator** – Shaping smarter outcomes through data, dialogue, and real-world insights. By delivering market studies, stakeholder engagement, consultations and data-driven analysis, the FRC is identifying emerging issues, understanding market challenges and ensuring regulation is informed by real-world experience."



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Charities

Academy Trust Handbook 2026

As a reminder, the Academy Trust Handbook 2026 has been published by the Department for Education ("DfE") and is effective from 1 October 2026. It highlights that the following are the main areas where changes have been made to financial requirements from the Academy Trust Handbook 2025:

- "Strengthening the position on using integrated curriculum and financial planning in schools;
- Strengthening the trust's obligation for reporting the position on its ability to operate as a going concern;
- Explaining that trusts must consider DfE opportunities when making purchasing decisions;
- Confirming that trusts must use the Government Commercial Agency agreement for supply staffing requirements and for energy, trusts must use either DfE Energy for Schools or a DfE approved energy deal;
- Explaining that trusts must use the DfE Management Information System framework and action to take with existing contracts;
- Confirming arrangements for executive pay and senior pay controls;
- Updating the permissive position for electric vehicle salary sacrifice schemes, which are now allowed; and
- Explaining that prior DfE approval is needed before offering an alternative pension scheme."

ACTION FOR FIRMS

For firms involved in the preparation and / or audit of financial statements of academies, they should be aware of the changes which have been made and are now effective.

Updated Charity Commission Guidance To Reflect 2026 Changes

The Charity Commission has updated its guidance to reflect two changes. Their Press Release includes:

"As charities have different accounting requirements based on their legal structure, there is now one guide for each of the three main structure types: a trust or an unincorporated association; a charitable company; a charitable incorporated organisation (CIO).

The guidance has been updated to reflect two main changes. Firstly, to the Charities Statement of Recommended Practice: Accounting and Reporting by Charities ('the SORP'); secondly to the income thresholds in charity law at which charities must follow the SORP and have their accounts examined or audited.

For charities also operating in Scotland, read guidance on the accounting rules for Scottish charities you must also follow."

HAT RESPONSE

Work continues on updating the HAT Charities Methodology for legal and accounting changes which apply imminently, with the update being released later this quarter.

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