HAT
YOUR COMPLIANCE PARTNER

MEMO 06/24

To: Subscribers of the Manual
From: Simon Kettlewell
Date: 28 October 2024

UPDATE TO THE HAT GROUPS METHODOLOGY:
AMENDMENTS FOR PERIODS COMMENCING ON/AFTER 15 DECEMBER 2023

The HAT Groups Methodology has been updated as part of our annual update cycle.

The principal driver of change is the update to ISA (UK) 600 'Special considerations - Audits of group financial statements (Including the work of component auditors)', which principally affects the considerations at the planning stage of a group audit. ISA (UK) 600's revisions include:

As a result of the revisions, a number of amendments have been made to the methodology, which are summarised below:

- A new document to assess risk at group level, including the need to consider financial statement level risks (such as fraud or going concern) and consolidation risks.
- A group-wide Assertion Level Risk Assessment document (basically a replica of Ac14 from the Corporate Audit pack), which needs to identify the components at which the identified risks are relevant.
- A new document to summarise the entities in the group and the risks identified from the above assessment, with a need to map these against the entities in the group, as well as allowing the group auditor to document what level of work will be required to address the identified risks and who that work will be performed by.
- Updated Group audit instructions are included to cover the extended communication requirements with component auditors.
- A document to gain an understanding of the Group-wide System of Internal Control has been added, along with a group-wide fraud risk assessment.
- An updated group audit planning memorandum.
- An updated assessment of group materiality (as there is no longer a requirement to determine component materiality).

The changes to the Auditing Standard are effective for accounting periods commencing on or after 15 December 2023. As a result, the changes are most likely to affect clients with a 31 December 2024 year end and onwards (albeit care will be needed with short periods).

As a result, the methodology has been renamed to "HAT Groups methodology – January 2024".

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All amended documents are annotated as “10/24” in the footer.

Users should download the Methodology IN FULL from the Members’ Area of our website.

For firms using CaseWare or MyWorkpapers, these changes will be reflected in the next updates of the relevant templates. These are both expected to be released within the next few weeks.

We are always pleased to receive feedback on our Methodologies; if you have any comments, please email simon@hatgroup.co.uk