HAT
YOUR COMPLIANCE PARTNER

MEMO 03/25

To: Subscribers of the methodology
From: Simon Kettlewell
Date: 1 October 2025

UPDATE TO THE HAT CORPORATE AUDIT METHODOLOGY: 2025 UPDATE

The HAT Corporate Audit Methodology has been updated as part of the annual update cycle.

As the core methodologies are now updated at least annually, this update has resulted in a change in the naming convention. This methodology has been re-named to be "Corporate Audit - 2025 Update". This change aims to give clarity to users that they are using the most up to date version.

There are no significant accounting standard or ISA changes affecting accounting periods commencing on or after 1 January 2025 (so typically 31 December 2025 year ends).

However, company size thresholds change for accounting periods commencing on or after 6 April 2025 (so typically 30 April 2026 year ends). To deal with the change, the "2025 Update" includes company size assessment checklists for periods commencing both prior to 6 April 2025 and on /after 6 April 2025. Disclosure checklists have also been updated to reflect the changes in the Directors Report requirements which come into effect at the same time.

We have also taken this opportunity to update the materiality assessment (Ac13) further to feedback from firms. Rather than the materiality assessment including suggested percentages to apply to benchmarks (e.g. 1% for turnover, 2% for gross assets), users are now required to select an appropriate percentage from a range (e.g. 1% to 3% of turnover). Whilst the previous version of Ac13 did allow for the 'default' percentages to be overridden, this rarely happened. As users will now determine the appropriate percentage from within the suggested range, the updated Ac13 should encourage more professional judgement (which needs to be appropriately evidenced) in the assessment of materiality.

The Assignment Terms Letter (at Ac19) has been renamed to Audit Planning Letter, again as a result of feedback from firms.

For those users who use the methodology outside of a software platform (i.e. to produce a paper file), soft copies of the current and permanent file dividers are now included.

Chapter 2 of the methodology now includes standalone sample size calculators, which can be used when sample sizes are required for areas not covered by Ac14.

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Ethical considerations (Ac2 and Ac3) have been updated in line with the revised FRC Ethical Standard and to increase the level of non-audit fees considered to be 'substantial' relative to the audit fees.

There are a number of other minor changes throughout the methodology.

Left hand footers now just refer to "Audit". Where the documents have been amended in this update, the right hand side footer states 09/25.

The updated Corporate Audit Methodology should be used for any accounting period commencing on or after 1 January 2025. For periods commencing prior to this, the HAT Corporate Audit Methodology January 2022 (12/24 Update) should still be used.

Users should download the Methodology IN FULL from the members area of our website.

For firms using CaseWare and MyWorkpapers, these changes will (where relevant) be reflected in forthcoming updates of their packs which will be issued in due course.

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