



## MEMORANDUM

**To:** Technical Representatives  
**From:** Roger Morris  
**Date:** 23 June 2015  
**Ref:** TM 06/15

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### HAT AUDIT MANUAL ~ JANUARY 2015

For accounting periods commencing on or after 1 January 2015, all extant UK Accounting Standards are being withdrawn, and replaced by FRS 102 ~ The Financial Reporting Standard applicable in the UK and Republic of Ireland. Any entity eligible to apply the FRSSE may defer mandatory application of FRS 102 until accounting periods commencing on or after 1 January 2016, as the FRSSE (effective January 2015) remains in force for twelve months after FRS 102 first applies for non-small entities.

The HAT Audit Manual has been updated to fully reflect the accounting and associated audit requirements of FRS 102, and is dated “January 2015”, to reflect the commencement date for accounting periods to which this Manual relates. It also reflects the requirements of the FRSSE (effective January 2015).

For any accounting period commencing on or before 31 December 2014, the HAT Audit and Accountancy Manual ~ September should be utilised, unless an entity wishes to early adopt the requirements of FRS 102.

#### **Content of the HAT Audit Manual ~ January 2015:**

It has previously been advised that the audit and non-audit elements of the HAT Audit and Accountancy Manual are to be split, with the release of the HAT Non-Audit Assignments Manual ~ March 2014 being the first stage of this process. The HAT Audit Manual ~ January 2015 completes this split by the removal of any consideration of non-audit assignments, such that this Manual covers purely audit assignments.

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This Manual reflects the following amendments and enhancements, in addition to fully reflecting the requirements of FRS 102 and the FRSSE (effective January 2015):

- Inclusion of a “transition pack” to document the transfer between existing UK GAAP and FRS 102;
- Amending all pro-forma letter of engagement wording such that there may be a single two page letter, with all assignments being included as an appendix to the letter, in addition to separate Terms of Business;
- Amending the layout of the client pre-planning, and team discussions to enable enhanced compliance with the underlying ISA requirements;
- Enhancing the narrative included on certain planning and finalisation documents to reduce the number of R.I. sign offs on the audit working papers;
- Filtering of “controls testing” into planning / fieldwork areas of the Manual, so that Chapters 1 – 3 now cover Planning / Fieldwork / Review and Completion (Chapters 4 – 6 still cover IFRS / AIM / Mini Audit Approach);
- Transferring consideration of contingencies and financial commitments from the N section to the L section, bolstering the S section into “disclosure only” (to now include share-based payments and hedging), with the N section being an ISA “pot pourri” covering law and regulation / service organisations / experts / other auditors;
- Splitting the three elements of the U section audit programme (nominal ledger / new client / new audit) into three separate audit programmes;
- Revising the layout of the letter of representation such that it separately covers confirmation of aspects of the financial statements, and information provided during the audit, along with providing enhanced guidance on the format of the letter; and
- Inclusion of pro-forma documentation to consider the preparation and audit of, “defective accounts”.

Note that work continues of finalising the IFRS Corporate Disclosure Checklist, and to avoid delaying the release of this Manual, a “placeholder” has been inserted, and this will be issued as soon as it has been finalised.

### **The future of financial reporting in the UK:**

The FRSSE (effective January 2015) is being replaced by FRS 102 (with relevant disclosure requirements being included within Section 1A of that Standard) for accounting periods commencing on or after 1 January 2016. Thresholds to qualify as a small company, along with certain other amendments to the Companies Act 2006 (such as the removal of the ability to file abbreviated accounts) also apply for accounting periods commencing on or after 1 January 2016. This Manual does not reflect these requirements (which may be early adopted for accounting periods commencing on or after 1 January 2015).

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email [roger@hatgroup.co.uk](mailto:roger@hatgroup.co.uk).