



## MEMORANDUM

**To:** Technical Representatives  
**From:** Matthew Shaw  
**Date:** 21 December 2015  
**Ref:** TM 14/15

### **HAT GROUPS MANUAL ~ JANUARY 2015**

This Manual must be used for accounting periods commencing on or after 1 January 2015. The main reason for the update is due to the introduction of FRS 102. This has led to a significant change in the terminology used throughout the Manual.

The major changes are as follows:

- Simplification of the text to remove information about disclosure requirements where this simply reproduced the information already noted in the disclosure checklists;
- Updating all of the consolidation examples within the text for both FRS 102 terminology and accounting treatments;
- The text has also been updated to give guidance on the requirement to consolidate for accounting periods that commence on or after 1 January 2016, or on or after 1 January 2015 where directors opt to early adopt the provisions of SI 2015 980 (to potentially avoid the need to consolidate 'bottom end' medium companies);
- As a result of the above point the Manual now includes two checklists to determine whether consolidated financial statements need to be produced (Appendices 1.1a and 1.1b). Inherently, these are very complex flow diagrams and should only be completed by an experienced member of staff;
- As would be expected the Glossary of Terms (Appendix 1.2) has been substantially updated;
- The file dividers have been overhauled, and as many firms prepare a separate groups file, a front page has been added. The dividers have also been revised so that all of HAT's standard documents have an appropriate place to be filed. It is envisaged that all disclosure checklists will be filed on the group's audit file (and

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that the parent company file effectively becomes the file for the parent only as a component of the group);

- The Group's PAF Checklist (Appendix 2.2) has been slimmed down significantly. It historically duplicated some of the information which would have already been checked by the completion of the Parent PAF Checklist;
- The Groups Assignment Plan (Appendix 2.7.1) has been more closely aligned with the Assignment Plan contained within HAT's Main Audit Manual;
- The Group Team Discussions and Group Briefing Meeting Form has been significantly extended, however, it should be noted that information on this form should not duplicate information included on audit files of components audited by your practice;
- Consolidation Work Programmes (Appendices 2.9, 2.10.1 and 2.10.2) have been updated for changes introduced by FRS 102. It should also be noted that these work programmes **do not** cover IFRS issues. As FRS 102 is much more aligned with IFRS the level of tailoring should not be extensive and guidance on the major differences between FRS 102 and IFRS is contained within the text of the Manual;
- The Groups Summary Subsequent Events Review Top Up Checklist (Appendix 3.2.1) and the Groups Going Concern Review Top Up Checklist (Appendix 3.3) have been switched to landscape documents to allow the audit team more space to document their considerations;
- Rather than having a tailoring guide, a complete tailored letter of representation has been included in the Manual for companies which consolidate (Appendix 3.4) ;
- The ISA Compliance Critical Issues Memorandum (Consolidation), has been extended to give space for critical issues identified by the audits of components not audited by your practice;
- The Final Analytical Procedures Form has been reengineered to make it fully "dual purpose". The form should be used to document the following:-
  - The analytical procedures undertaken on the consolidated figures; and
  - The analytical procedures undertaken on non-significant components where this procedure represents the extent of audit work to be undertaken;
- The UK GAAP Consolidated Audit Report has been updated to refer to FRS 102;
- From a housekeeping point of view all documents are now saved in Word 2013 format and there have been changes made to the headers and footers to align them with the format of the HAT's Main Audit Manual. Please note that regarding the footers the entire Manual is dated 01/15.

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