

To: All firms
From: David A White
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UPDATE TO THE HAT PENSION SCHEMES MANUAL: AMENDMENTS FOR PERIODS COMMENCING ON/AFTER 15 DECEMBER 2019

The HAT Pensions Manual has been updated as part of our annual update cycle.

The key driver of the update is the revision to Auditing Standards, with the following being the areas of most significant change:

- ISA (UK) 540 *Auditing Accounting Estimates and Related Disclosures*
- ISA (UK) 570 *Going Concern*
- ISA (UK) 700 *Forming an Opinion and Reporting on Financial Statements*

The changes to the Auditing Standards are effective for **accounting periods commencing on or after 15 December 2019**. For periods commencing prior to 15 December 2019, the HAT Pension Manual (January 2019) should still be used.

The major changes to the Manual, which are consistent with the changes already made to our Corporate Audit Manual can be summarised as follows:

Risk assessment at the planning stage

The risk assessment part of planning has seen some fundamental changes:

- The checklist-based approach to assessing inherent risk and control risk has been removed, meaning that such risk assessments must now be completed using a narrative-based, thought-led approach;
- The inherent risk assessment and control environment assessment have been split up – Ac10 now deals solely with inherent risk, whilst a new Ac11 deals with the assessment of the control environment, management override and the design and implementation of controls;
- New risk assessment forms have been introduced relating to Going Concern and Accounting Estimates as a result of the revisions to ISA (UK) 570 *Going Concern* and ISA (UK) 540 *Auditing Accounting Estimates and Related Disclosures*. This has resulted in the old accounting estimates form (PAF A1-11/ Ac8/2) being removed;
- The changes referred to above have resulted in some re-referencing of the risk assessment documentation, as follows:

Title of working paper	New reference	Old reference
Overall Inherent Risk Assessment (NARRATIVE ONLY)	Ac10 and Ac10/1	Ac10/1 and Ac10/2
Going concern risk assessment (NEW)	Ac10-2	N/A
Control environment assessment	Ac11	Ac10/3
Area specific risk assessment	Ac12-1	Ac11
Accounting Estimates risk assessment (NEW)	Ac12-2	N/A
Area specific control risk assessment (rarely used)	Ac12-3	Ac12

Other planning changes

- Changes to Ac2 to deal with the new Ethical Standard which applies for periods commencing on/after 15 March 2020;
- A new optional client information request pack and a schedule to track the responses has been introduced to the planning stage;
- The Assignment Plan at Ac14 has been updated to include considerations re: accounting estimates, laws and regulation, fraud and going concern.

Audit Programmes

In respect of the audit programmes:

- A supplementary accounting estimates programme has been introduced, which must be completed for each accounting estimate in excess of performance materiality where the level of estimation uncertainty is anything but low;
- Almost every other audit programme has been amended to introduce a new test requiring the estimates programme to be completed where appropriate;
- The law and regulation considerations on the H2 audit programme have been bolstered, with a particular focus on the new reporting requirement under ISA (UK) 700.

Finalisation

- The Audit Control Record (Aa1) has new questions dealing both with accounting estimates and the extent to which the audit was considered capable of detecting irregularities, including fraud;

- The Going Concern checklist (Aa3b) has been updated to reflect the additional requirements of the revised version of ISA (UK) 570 to the extent to which this is relevant for Pension Schemes, in order to support the new positive statement on going concern in the audit report;
- The ISA Compliance Critical Issues memo (Aa7) includes a new overall conclusion on accounting estimates;
- The Annual Disclosure Checklist (AB2) has been updated to reflect the new requirements of the Implementation Report for scheme's with over 100 members.
- The Audit report templates have been updated per the FRC bulletin "Illustrative Statutory Audit Reports on United Kingdom private sector financial statements".

All amended documents are annotated as "02/21" in the footer.

Users should download the Manual **IN FULL** from the Members' Area of our [website](#).

We are always pleased to receive feedback on our manuals. If you have any comments on this Manual then please email david@hatgroup.co.uk