

To: All firms  
From: Simon Kettlewell  
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### **UPDATE TO THE HAT CORPORATE AUDIT METHODOLOGY: AMENDMENTS FOR PERIODS COMMENCING ON/AFTER 15 DECEMBER 2022**

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

The key driver of the update is the introduction of ISQM (UK) 2 *Engagement Quality Reviews* and ISA (UK) 220 *Quality Management for an Audit of Financial Statements* which have necessitated changes to both planning and finalisation sections.

The changes to the Auditing Standards are effective for accounting periods commencing on or after 15 December 2022. As a result, the changes are most likely to affect clients with a 31 December 2023 year end and onwards (albeit care will be needed with short periods).

The main changes made to the Methodology can be broken down as follows:

- Ac2 Regulation of Auditors Checklist now includes consideration of the need for an internal hot review or an Engagement Quality Review in accordance with ISQM (UK) 2.
- Consequential changes to several documents in planning that previously referenced the conduct on an engagement quality control review.
- Aa1 Audit Control Record now includes enhanced responsibilities of the RI.
- The suite of Engagement Quality Control checklists has been updated.

Other amendments include:

- Disclosure checklists to deal with Pillar Two tax rules / minor IFRS changes.
- The sample size calculation against the cut-off assertion has been removed further to feedback from users; it is now a matter of using professional judgement to determine the appropriate level of testing.
- The mini audit approach has been updated to bring it more into line with the amendments made to the “full” approach in the last update.

*NB: We have excluded any consideration of IFRS 17 Insurance Contracts, which is effective for accounting periods commencing on/after 1 January 2023. Whilst it is accepted that firms will act for some entities who enter into contracts that meet the definition of an insurance contract, the vast majority will be covered by the scope exemptions available in the Standard. IFRS 17 deals with a complex area and specialist advice will likely be required.*

In general, this is fairly minor update and as such the updated methodology is re-named to **Corporate Audit January 2022 (10-23 Update)**.

All amended documents are annotated as “10/23” in the footer.

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

Please note: at this stage, there are no updates to the LLP Methodology nor the Non-Audit Assignments Methodology.

Where necessary we will also update our specialist assignment packs over the next few months.

For firms using CaseWare or MyWorkpapers, these changes will be reflected in the next updates of the relevant templates.

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