

# Update - September 2023

## What's changed

We are pleased to issue updates to your Mercia RSHPs Manual (dated 09/23).

The principal technical changes in this update include:

- The inclusion of group audit documents which incorporate changes in relation to ISA (UK) 600 Special considerations - Audits of group financial statements (Including the work of component auditors);
- The introduction of a new (optional) statistical sampling approach; and
- The reconfiguration of the guidance notes.

In addition a number of other minor improvements and amendments have been made to the manual.

See below for a full list of changes.

### ISA (UK) 600 Special considerations - Audits of group financial statements (Including the work of component auditors)

In September 2022, the FRC issued a revised ISA (UK) 600. The proposed revisions enhance the risk-based approach to undertaking a group audit and reinforce the need for robust communication and interactions between the group engagement team, group engagement partner and component auditors.

The revised ISA is effective for periods commencing on or after 15 December 2023, although the changes have been early adopted given certain requirements in relation to component auditors are already effectively in place due to the requirements of ISQM 1, and many of the other changes are considered good practice, with some firms already doing a lot of what the new requirements necessitate. An option has, however, been retained on the B30 Inherent and control risk assessment form for use where firms have decided not to early adopt the revisions.

### New (optional) statistical sampling approach

A new (optional) statistical sampling approach has been added to sit alongside the extant judgemental sampling approach. For many audits the extant judgemental approach, particularly where populations are smaller, will remain appropriate, however it is not suitable for use on the audits of PIEs or other audits where populations are very large. As such a new statistical sampling approach which does not include a sample size cap has been added to the methodology for use on audits where the judgemental approach is not considered appropriate.

### Guidance notes

The guidance notes have been restructured to make them more user-friendly and to ensure a consistent approach to guidance notes across Mercia's suite of products.

## Contact us

We are always pleased to receive feedback on our manuals, including any improvements that you would like to see incorporated. Please contact me if you have any comments to make.

Andy Holton

September 2023

## September 2023 - Detailed list of changes

The below table provides a detailed list of changes within the manual. In addition to the items listed below, minor changes have been made for formatting, grammar, and other editorial amendments.

Updated area	Main reason for change
<b>Guidance</b>	
Contents	<ul style="list-style-type: none"><li>• Updated for the new Group documentation and to reflect the new guidance notes structure.</li></ul>
Guidance notes	<ul style="list-style-type: none"><li>• The set of guidance notes have been reconfigured to make them more user friendly and to ensure a more consistent approach across the suite.</li><li>• Appendix 3a to the guidance notes includes guidance on the new statistical sampling approach.</li></ul>
Getting started for new manual users	<ul style="list-style-type: none"><li>• The Accessing the manual section has been removed.</li></ul>
What's changed	<ul style="list-style-type: none"><li>• A copy of this What's changed notice has been added to the manual.</li></ul>
<b>Example letters</b>	
Engagement- covering letter	<ul style="list-style-type: none"><li>• Where appropriate, a minor update to reference the group and parent.</li></ul>
Schedule of professional services - Audit (group)	<ul style="list-style-type: none"><li>• New document added.</li></ul>
Group audit instruction letter	<ul style="list-style-type: none"><li>• New document added which reflects revisions to ISA 600 and best practice updates.</li></ul>

Group audit questionnaire

- New document added which reflects revisions to ISA 600 and best practice updates.

## Example reports

Group audit report - RSHP registered under CCBSA 14

- New document added.

## Current file documents

Current file indices

- Updated to reflect new documents.

A29 Reporting on irregularities, including fraud in the auditor's report (individual)

- An additional column has been added to enable comments to be cross referenced back to where the underlying work has been performed.

A43 Whistle blowing - Reporting to The Regulator  
Completion - Group

- New documents added.
- A new selection of forms added specifically for group engagements.

B05 Freeform planning memo (freeform)

- An additional row for Income has been added into the basis for determining materiality section.

B25 Materiality (individual)

- An additional row for Income has been added into the basis for determining materiality section.

CSF Controls sampling form (individual and freeform)

- Updated to new format (no substantive technical changes).

SSF Substantive sampling form - Judgemental (individual and freeform)

- Updated to new format including more space to justify sample sizes.

SSF Substantive sampling form - Statistical (individual and freeform)

- New form for use with the new statistical sampling approach.

Planning (detailed) - Group

- A new selection of forms added specifically for group engagements.

P Audit programme - Intra group balances, transactions and consolidations

- Expanded to include work in respect of group audits.

## Permanent file documents

Permanent file indices

- Updated to reflect new documents.

PF1-5 Groups

- Additional point added to component entity risks section to reflect ISA 600 revisions.

PF1-7 Using the work of an expert

- Auditor's expert section expanded.

PF1-9 Component auditors

- Understanding the component auditor section expanded.

