

To: All firms
From: Adam Loake
Date: 21 December 2023

UPDATE TO THE HAT CHARITIES METHODOLOGY: AMENDMENTS FOR PERIODS COMMENCING ON/AFTER 15 DECEMBER 2022

The HAT Charities 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:

- 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.
- A new test has been added to work programme C2 to cover new powers introduced under Charities Act 2022 in respect of the sale / lease / disposal of charity land.
- New tests added to work programmes M2 and P2-1 to cover spending and borrowing from permanent endowment funds, covering new powers introduced under Charities Act 2022.

This is a minor update and as such the updated methodology is re-named to **Charities 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](#).

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 adam@hatgroup.co.uk.