

CCH Audit Automation

Mercia

Company & Group v.19

Pension v.11

LLP v.11

Charity v.17

Audit exempt v.18

Academy v.11

What's Changed



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1 Company and Group v.19

Update - June 2023

What's changed

We are pleased to issue updates to your Mercia Audit Manual (dated 06/23).

The principal technical changes in this update include:

- 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 introduction of a set of guidance notes specifically tailored for companies.

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.

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

A new set of guidance notes has been included to reflect the specific requirements of companies. These guidance notes supplement the contents of the Audit Procedures Manual (UK) which support the underlying methodology.

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

June 2023

June 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
Guidance	
Contents	<ul style="list-style-type: none">• Updated for the Group audit instruction letter and Group audit questionnaire being moved into the Example letters section.
Guidance notes	<ul style="list-style-type: none">• A new set of guidance notes including company specific requirements has been added.• Appendix 3a to the guidance notes includes guidance on the new statistical sampling approach.
Getting started for new manual users	<ul style="list-style-type: none">• The Accessing the manual section has been removed - guidance on accessing manuals is available on the website.
What's changed	<ul style="list-style-type: none">• A copy of this What's changed notice has been added to the manual.

Example letters

- | | |
|---|---|
| 3.2 Schedule of professional services - Audit (group) | <ul style="list-style-type: none">• Minor update to more clearly reference the group and parent company.• Additional paragraph added in Section 2 to highlight the group auditor is responsible for the direction, supervision and review of the group audit, and to secure agreement to communicate with component auditors without further consent being required. |
| 17 Group audit instruction letter | <ul style="list-style-type: none">• Moved from Example reports section.• Significant update to reflect revisions to ISA 600 and best practice updates. |
| 18 Group audit questionnaire | <ul style="list-style-type: none">• Moved from Example reports section.• Minor updates to reflect revisions to ISA 600 and best practice updates. |

Example reports

- | | |
|---|---|
| 2 Unqualified IAS (IFRS) audit report | <ul style="list-style-type: none">• References to transitional period wording removed as no longer applicable. |
| 5 Unqualified group audit report | <ul style="list-style-type: none">• Minor update to wording of last bullet point in the Auditor responsibilities for the audit of the financial statements section where the full responsibilities are included rather than a link to the FRC website. |
| 6 Unqualified IAS (IFRS) group audit report | <ul style="list-style-type: none">• References to transitional period wording removed as no longer applicable.• Minor update to wording of last bullet point in the Auditor responsibilities for the audit of the financial statements section where the full responsibilities are included rather than a link to the FRC website. |
| Group audit instruction letter | <ul style="list-style-type: none">• Moved to Example letters section. |
| Group audit questionnaire | <ul style="list-style-type: none">• Moved to Example letters section. |

Example accounts

- | | |
|---|--|
| 1 Small Full (FRS 102 1A) accounts | <ul style="list-style-type: none">• Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts). |
| 1a Small Abridged (FRS 102 1A) accounts | <ul style="list-style-type: none">• Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts). |
| 2 Not Small (FRS 102) accounts | <ul style="list-style-type: none">• Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts). |
| 3 UK-adopted IAS accounts | <ul style="list-style-type: none">• Updated to state that the accounts reflects standards and amendments in issue as at 1 April 2023 and are applicable for periods commencing on or after 1 January 2021 but before 1 January 2024.• Updated to refer to UK-adopted international accounting standards.• References to p/c before 1 January 2021 removed.• Updated for Disclosure of Accounting Policies: Amendments to IAS 1 Presentation of Financial Statements and consequential amendments. |

Accounts disclosure checklists

- | | |
|--|---|
| A32 SUMMARY Disclosure checklist summary | <ul style="list-style-type: none">• Updated to refer to UK-adopted international accounting standards. |
| A32 SMALL FRS 102 1A | <ul style="list-style-type: none">• Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist). |
| A32 NOT SMALL FRS 102 | <ul style="list-style-type: none">• Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist). |
| A32 IFRS UK-adopted international accounting standards | <ul style="list-style-type: none">• Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 and is applicable for periods commencing on or after 1 January 2021 but before 1 January 2024.• Updated to refer to UK-adopted international accounting standards.• Updated for Disclosure of Accounting Policies: Amendments to IAS 1 Presentation of Financial Statements and consequential amendments. |

A32 FRS 101

- Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 and is applicable for periods commencing on or after 1 January 2021 but before 1 January 2024.
- Updated to refer to UK-adopted international accounting standards.
- Updated for Disclosure of Accounting Policies: Amendments to IAS 1 Presentation of Financial Statements and consequential amendments.

Current file documents

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

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

A31 Group audit completion checklist (group)

- Four new bullet points added to Evidence section to reflect ISA 600 revisions.
- Minor amendments to wording of component auditor questions to reflect revisions to ISA 600.
- References to ISA 600 updated.

A41 Group subsequent events update and evaluation (group)

- Minor change to wording of component auditor question to reflect ISA 600 revisions.

A52-1 Communication with group management checklist (group)

- Additional point added to reflect ISA 600 revisions.

A53 Component auditors (group)

- Major update to reflect ISA 600 revisions.

B01 Group planning checklist (group)

- Additional point added in pre planning to reflect ISA 600 revisions.

B02 Group audit strategy (group)

- Minor update to wording of guidance to characteristics of the engagement and nature, timing and extent of resources sections to reflect ISA 600 revisions.

B05 Freeform planning memo (freeform)

- An additional row for Profit before tax has been added into the basis for determining materiality section.

B25 Materiality (individual)

- An additional row for Profit before tax has been added into the basis for determining materiality section.

B25 Materiality (group)

- An additional row for Profit before tax has been added into the basis for determining materiality section.
- Update to component materiality section to reflect ISA 600 revisions.

B26 Component auditors (group)

- Major update to reflect ISA 600 revisions.

B30 Group inherent and control risk assessment (group)

- Minor update to Group audit approach section to reflect ISA 600 revisions.

B35 Group audit team discussion (group)

- Update to component auditor point under fraud risk to reflect ISA 600 revisions.

B40 Audit plans (individual and group)

- Guidance in sampling section updated to refer to sampling plan(s) / sampling form(s) as appropriate.

B40/P2 Group audit plan - Intra group balances, transactions and consolidations

- Reference to financially significant, risk significant and not significant under components section removed due to ISA 600 revisions.

CSF Controls sampling form (individual, freeform and group)

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

SSF Substantive sampling form - Judgemental (individual, freeform and group)

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

SSF Substantive sampling form - Statistical (individual, freeform and group)

P Audit programme - Intra group balances, transactions and consolidations

Proforma working papers

Permanent file documents

PF1-5 Groups

PF1-7 Using the work of an expert

PF1-9 Component auditors

Supplementary forms

File review checklist (p/c on or after 15 Dec 21)

- New form for use with the new statistical sampling approach.
- A - Update to wording of undertaking work on components test to reflect revisions to ISA 600.
- F - Updates to two tests under consolidation section to reflect revisions to ISA 600.
- Updated to reflect the update to the SSF Substantive sampling form - Judgemental.
- Additional point added to component entity risks section to reflect ISA 600 revisions.
- Auditor's expert section expanded.
- Understanding the component auditor section expanded.
- Groups section updated to reflect ISA 600 revisions.

Update - February 2023

What's changed

We are pleased to issue updates to your Mercia Audit Manual (dated 02/23).

The principal technical changes in this update include the removal of content relating to the now superseded ISQCs and consequential amendments arising as a result of this. The Audit Manual, together with the Audit Procedures Manual, address engagement level quality management, with the [Quality Management Manual](#) addressing firm wide requirements.

In addition a number of minor amendments / improvements have been made to other sections of the Audit Manual, including updating engagement letters to reflect latest guidance.

See below for a full list of changes.

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

February 2023

February 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
Guidance	
Contents	<ul style="list-style-type: none">Updated for addition of file review checklists to supplementary forms section.
What's changed	<ul style="list-style-type: none">A copy of this What's changed notice has been added to the manual.
Example letters	
1 Engagement - Covering letter	<ul style="list-style-type: none">Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.A new section detailing how communication will be maintained throughout the engagement has been added.Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.
2 Engagement - Covering letter (group)	<ul style="list-style-type: none">Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.A new section detailing how communication will be maintained throughout the engagement has been added.Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.
3.1 Engagement - Schedule of professional services - audit	<ul style="list-style-type: none">Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.Added an optional paragraph in the 'Our responsibilities' section highlighting that the auditors have a statutory requirement to communicate with the group auditor.Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.

3.2 Engagement - Schedule of professional services - audit (group)	<ul style="list-style-type: none"> Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section. Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.
3.3 Engagement - Schedule of professional services - accounting	<ul style="list-style-type: none"> A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work. Updated the 'Our responsibilities' section to clarify that the firm will advise the client on whether their accounting records are appropriate for the preparation of financial statements. Added a paragraph confirming that the firm has a professional duty to not allow its name to be associated with financial statements that could be misleading. Included an optional paragraph highlighting the responsibility to provide information in iXBRL format lies with the client, should they ask the firm to convert the financial statements into the iXBRL.
3.4 Engagement - Schedule of professional services - taxation	<ul style="list-style-type: none"> Included is a paragraph confirming there may be occasions where the firm will need to seek specialist advice. Added a paragraph confirming that the responsibility for monitoring turnover in respect of VAT registration thresholds lies with the client. Clarification that the responsibility for employment taxes, pensions and the assessment of employment status for workers, lies with the client has also been included.
4 Engagement - Terms of business	<ul style="list-style-type: none"> Updated paragraphs in the 'Fees and payment terms' section clarifying the use of insurance policies to cover fees, circumstances where clients are unable to pay fees and the rights of the firm to exercise a lien over all funds have also been added. Added a new section detailing standard business terms in relation to confidentiality. Clarification of potential actions of the firm, should a dispute arise between parties within the engagement.
Example reports	
3 Statement of directors' responsibilities	<ul style="list-style-type: none"> Clarified that the reference to material departures is only required where there are any such departures.
5 Group audit instruction letter	<ul style="list-style-type: none"> References to ISQC and quality control updated to ISQM and quality management respectively.
6 Group audit questionnaire	<ul style="list-style-type: none"> References to ISQC and quality control updated to ISQM and quality management respectively.
Accounts disclosure checklists	
A32 FRS 101 (FRS 101)	<ul style="list-style-type: none"> A small number of disclosure items for which there is an available exemption were missing the omega symbol which has now been added to affected disclosures.
A34 FRS 102 1AG Small Group (FRS 102 1A)	<ul style="list-style-type: none"> A number of disclosure points in relation to parent/subsidiary relations have been moved from Section 3 to Section 1 for clarity on when they apply.
Current file documents	
Current file indices (both p/c before and on or after 15 Dec 21)	<ul style="list-style-type: none"> Updated to more accurately reflect naming of A21-1, A21-2, A21-3 and B03/B14.
A21-2 Engagement quality review checklist (individual and group) (p/c on or after 15 Dec 21)	<ul style="list-style-type: none"> ISQC version of form removed. ISQM version retained but renamed to remove reference to ISQM as this is now the only version.
A21-2 Engagement quality review checklist (individual and group) (p/c before 15 Dec 21)	<ul style="list-style-type: none"> Updated to ISQM version of form.
A21-3 Consultation review (individual and group) (p/c on or after 15 Dec 21)	<ul style="list-style-type: none"> ISQC version of form removed. ISQM version retained but renamed to remove reference to ISQM as this is now the only version.
A21-3 Consultation review (individual and group) (p/c before 15 Dec 21)	<ul style="list-style-type: none"> Updated to ISQM version of form.

A22 Overall review of the financial statements (individual and group) (p/c on or after 15 Dec 21)

- Additional bullet 'requirements for and of a statement of cash flows' added to Q21.

A31 Audit completion checklist (individual and group) (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

A46 Fraud update and evaluation (individual and group) (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

B03 Preliminary engagement quality review (individual and group) (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

B10 Engagement review (individual and group) (p/c on or after 15 Dec 21)

- Under the 'New client checklist' heading, the wording has been updated from "We have completed B13..." to "We have completed / reviewed B13..." to reflect the fact that relevant matters should also be identified in future years when the client is not new.

B14 Preliminary engagement quality review (individual and group) (p/c before 15 Dec 21)

- Updated to ISQM version of form.

B32A-E Key accounting estimate (individual, freeform and group) (p/c on or after 15 Dec 21)

- Updated wording of the key assertions relevant to the accounting estimate which may be selected for clarity.

Permanent file documents

PF1-2 The applicable financial reporting framework

- Additional bullet 'Requirements for a statement of cash flows' added.

PF5 Permanent audit planning documentation (both p/c before and on or after 15 Dec 21)

- Additional table added to list engagement team members each year if desired.

Supplementary forms

File review checklist (p/c before 15 Dec 21)

- File review checklist added (moved from Audit Procedures Manual).

File review checklist (p/c on or after 15 Dec 21)

- File review checklist added (moved from Audit Procedures Manual).

2 Pension v.11

Update – September 2023

What's changed

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

The principal technical changes in this update include:

- The introduction of a new (optional) statistical sampling approach; and
- The restructuring 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.

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 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
Guidance	
Contents	<ul style="list-style-type: none">• Updated to reflect the new Guidance notes structure.
Guidance notes	<ul style="list-style-type: none">• The guidance notes have been restructured to make them more user friendly and to ensure a more consistent approach across the suite.• Appendix 5a to the guidance notes includes guidance on the new statistical sampling approach.
Getting started for new manual users	<ul style="list-style-type: none">• The Accessing the manual section has been removed.
What's changed	<ul style="list-style-type: none">• A copy of this What's changed notice has been added to the manual.
Example accounts	
All example accounts	<ul style="list-style-type: none">• Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts).
Accounts disclosure checklists	
A32 Pension Schemes Annual Report Checklist	<ul style="list-style-type: none">• Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist).
Current file documents	

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

B40 Audit plans

CSF Controls sampling form (individual, freeform and group)

SSF Substantive sampling form - Judgemental (individual, freeform and group)

SSF Substantive sampling form - Statistical (individual, freeform and group)

Permanent file documents

PF1-7 Using the work of an expert

- An additional column has been added to enable comments to be cross referenced back to where the underlying work has been performed.
- Guidance in sampling section updated to refer to sampling plan(s) / sampling form(s) as appropriate.
- Updated to new format (no substantive technical changes).
- Updated to new format including more space to justify sample sizes.
- New form for use with the new statistical sampling approach.
- Auditor's expert section expanded.

Update - February 2023

What's changed

We are pleased to issue updates to your Mercia Pension Schemes Manual (dated 02/23).

The principal technical changes in this update include the removal of content relating to the now superseded ISQCs and consequential amendments arising as a result of this. The Pension Schemes Manual, together with the Audit Procedures Manual, address engagement level quality management, with the [Quality Management Manual](#) addressing firm wide requirements.

In addition a number of minor amendments / improvements have been made to other sections of the Pension Schemes Manual, including updating engagement letters to reflect latest guidance.

See below for a full list of changes.

Contact us

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Andy Holton

February 2023

February 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
Guidance	
Contents	<ul style="list-style-type: none">Updated for relocation of file review checklists to Supplementary forms section.
Guidance notes	<ul style="list-style-type: none">Updated to reflect the fact there is no longer a requirement for schemes to have a year end of 5 April in order for small schemes to be exempt from the requirement to appoint an auditor.Updated to reflect changes to the Codes of Practice (CoP).
What's changed	<ul style="list-style-type: none">A copy of this What's changed notice has been added to the manual.
File review checklist (p/c before 15 Dec 21)	<ul style="list-style-type: none">File review checklist moved to Supplementary forms section.
File review checklist (p/c on or after 15 Dec 21)	<ul style="list-style-type: none">File review checklist moved to Supplementary forms section.
Example letters	
Engagement – Covering letter	<ul style="list-style-type: none">Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.A new section detailing how communication will be maintained throughout the engagement has been added.Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.
Engagement - schedule of professional services – audit	<ul style="list-style-type: none">Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.

Engagement - schedule of professional services - audit of non-statutory report

- Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.

Engagement - schedule of professional services - accounts compilation

- Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.
- A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.
- An optional paragraph has been included where clients have asked firms to convert the financial statements into the iXBRL format.

Engagement - terms of business

- Clarification has been included to inform clients that, consent must be received from the firm, should they want to share the report with any third parties.
- Updated paragraphs in the 'Fees and payment terms' section clarifying the use of insurance policies to cover fees, circumstances where clients are unable to pay fees and the rights of the firm to exercise a lien over all funds have also been added.
- Added a new section detailing standard business terms in relation to confidentiality.
- Clarification of potential actions of the firm, should a dispute arise between parties within the engagement.

Current file documents

Current file indices (both p/c before and on or after 15 Dec 21)

- Updated to more accurately reflect naming of A21-1, A21-2, A21-3 and B03/B14.

A21-2 Engagement quality review checklist (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

A21-2 Engagement quality review checklist (p/c before 15 Dec 21)

- Updated to ISQM version of form.

A21-3 Consultation review (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

A21-3 Consultation review (p/c before 15 Dec 21)

- Updated to ISQM version of form.

A31 Audit completion checklist (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

A46 Fraud update and evaluation (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

B03 Preliminary engagement quality review (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

B10 Engagement review (p/c on or after 15 Dec 21)

- Under the 'New client checklist' heading, the wording has been updated from "We have completed B13..." to "We have completed / reviewed B13..." to reflect the fact that relevant matters should also be identified in future years when the client is not new.

B14 Preliminary engagement quality review (p/c before 15 Dec 21)

- Updated to ISQM version of form.

B32A-E Key accounting estimate (individual and freeform) (p/c on or after 15 Dec 21)

- Updated wording of the key assertions relevant to the accounting estimate which may be selected for clarity.

Permanent file documents

PF5 Permanent audit planning documentation (both p/c before and on or after 15 Dec 21)

- Additional table added to list engagement team members each year if desired.

Supplementary forms

File review checklist (p/c before 15 Dec 21)

- File review checklist moved from Guidance section.

File review checklist (p/c on or after 15 Dec 21)

- File review checklist moved from Guidance section.

3 LLP v.11

Update - September 2023

What's changed

We are pleased to issue updates to your Mercia LLPs 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 reconfiguring 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

A new set of guidance notes has been included to reflect the specific requirements of companies. These guidance notes supplement the contents of the Audit Procedures Manual (UK) which support the underlying methodology.

Exciting new feature

We have also developed tailoring and customisation tools to help you filter out the irrelevant parts of the Accounts disclosure checklists through a series of questions. These are available in the 'Customise' screen within the menu on the right.

By selecting 'Yes' to the question 'Would you like to tailor your accounts disclosure checklist through a series of questions?', you will then be asked a series of questions. Answering these subsequent questions will filter down the disclosure checklist so that only the checklists / sections you require will be shown / available to download / included within the checklist downloaded.

What's next

On 4 August 2023, the CCAB published an [updated draft](#) of its Statement of Recommended Practice Accounting by Limited Liability Partnerships (the LLP SORP).

Whilst a couple of the changes proposed are in response to recent changes to legislation or amendments to underlying standards, the majority are aimed at providing further guidance on particular issues arising when preparing the accounts of LLPs. The proposed changes are therefore not expected to have a significant impact on LLPs preparing their accounts in accordance with the LLP SORP, as the additional guidance should merely clarify existing treatment.

Comments are invited until 27 October 2023, after which time feedback will be considered before a revised LLP SORP is published. The draft proposes an effective date of periods commencing on or after 1 January 2024, with early adoption permitted. Following this, a further revision to the LLP SORP can then be expected during 2024 to reflect the changes to FRS 102 arising from the ongoing periodic review. We will update your LLPs Manual as soon as possible after the revised LLP SORP is published.

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 - 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
Guidance	
Contents	<ul style="list-style-type: none"> Updated for the new Group documentation and to reflect the new Guidance notes structure.
Guidance notes	<ul style="list-style-type: none"> The guidance notes have been reconfigured to make them more user friendly and to ensure a more consistent approach across the suite. Appendix 3a to the guidance notes includes guidance on the new statistical sampling approach.
Getting started for new manual users	<ul style="list-style-type: none"> The Accessing the manual section has been removed.
What's changed	<ul style="list-style-type: none"> A copy of this What's changed notice has been added to the manual.
Example letters	
Audit engagements	
2 Engagement - covering letter (group)	<ul style="list-style-type: none"> New document added.
3.2 Schedule of professional services - Audit (group)	<ul style="list-style-type: none"> New document added.
9 Group audit instruction letter	<ul style="list-style-type: none"> New document added which reflects revisions to ISA 600 and best practice updates.
10 Group audit questionnaire	<ul style="list-style-type: none"> New document added which reflects revisions to ISA 600 and best practice updates.
Example reports	
6 Unqualified group audit report	<ul style="list-style-type: none"> New document added.
Example accounts	
1 Small Full (FRS 102 1A) accounts	<ul style="list-style-type: none"> Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts).
1a Small Abridged (FRS 102 1A) accounts	<ul style="list-style-type: none"> Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts).
2 Not Small (FRS 102) accounts	<ul style="list-style-type: none"> Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts).
3 Micro-entity (FRS 105) accounts	<ul style="list-style-type: none"> Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts).
Accounts disclosure checklists	
A32 SUMMARY Disclosure checklist summary	<ul style="list-style-type: none"> Updated to refer to new group supplementary disclosure checklists.
A32 SMALL FRS 102 1A	<ul style="list-style-type: none"> Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist).
A32 NOT SMALL FRS 102	<ul style="list-style-type: none"> Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist).
A32 MICRO FRS 105	<ul style="list-style-type: none"> Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist).
A34 FRS 102 1AG	<ul style="list-style-type: none"> New checklist added.
A34 FRS 102G	<ul style="list-style-type: none"> New checklist added.
Current file documents	
Current file indices	<ul style="list-style-type: none"> Updated to reflect new documents.
A29 Reporting on irregularities, including fraud in the auditor's report (individual)	<ul style="list-style-type: none"> An additional column has been added to enable comments to be cross referenced back to where the underlying work has been performed.
Completion - Group	<ul style="list-style-type: none"> A new selection of forms added specifically for group engagements.
B05 Freeform planning memo (freeform)	<ul style="list-style-type: none"> An additional row for Profit before tax has been added into the basis for determining materiality section.

B25 Materiality (individual)

CSF Controls sampling form (individual and freeform)

SSF Substantive sampling form - Judgemental (individual and freeform)

SSF Substantive sampling form - Statistical (individual and freeform)

Planning (detailed) - Group

P Audit programme - Intra group balances, transactions and consolidations

- An additional row for Profit before tax has been added into the basis for determining materiality section.
- Updated to new format (no substantive technical changes).
- Updated to new format including more space to justify sample sizes.
- New form for use with the new statistical sampling approach.
- A new selection of forms added specifically for group engagements.
- Expanded to include work in respect of group audits.

Permanent file documents

Permanent file indices

PF1-5 Groups

PF1-7 Using the work of an expert

PF1-9 Component auditors

- Updated to reflect new documents.
- New document added.
- Auditor's expert section expanded.
- New document added.

Update - March 2023

What's changed

We are pleased to issue updates to your Mercia LLPs Manual (dated 03/23).

The principal technical changes in this update include the removal of content relating to the now superseded ISQCs and consequential amendments arising as a result of this. The LLPs Manual, together with the Audit Procedures Manual, address engagement level quality management, with the [Quality Management Manual](#) addressing firm wide requirements.

In addition a number of minor amendments / improvements have been made to other sections of the LLPs Manual, including updating engagement letters to reflect latest guidance.

See below for a full list of changes.

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

March 2023

March 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
Guidance	
What's changed	<ul style="list-style-type: none">A copy of this What's changed notice has been added to the manual.
Example letters	
Engagement – Covering letter (Audit and non-audit engagements)	<ul style="list-style-type: none">Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.A new section detailing how communication will be maintained throughout the engagement has been added.Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.
Schedule of professional services – audit (Audit engagements)	<ul style="list-style-type: none">Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.Added an optional paragraph in the 'Our responsibilities' section highlighting that the auditors have a statutory requirement to communicate with the group auditor.Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.
Schedule of professional services – compilation (Non-audit engagements)	<ul style="list-style-type: none">An optional paragraph has been included where clients have asked firms to convert the financial statements into the iXBRL format.Clarification has been included to inform clients that, consent must be received from the firm, should they want to share the report with any third parties.
Schedule of professional services - micro-entity compilation (Non-audit engagements)	<ul style="list-style-type: none">An optional paragraph has been included where clients have asked firms to convert the financial statements into the iXBRL format.Clarification has been included to inform clients that, consent must be received from the firm, should they want to share the report with any third parties.

Schedule of professional services - LLP taxation (Audit and non-audit engagements)

- Included a paragraph confirming there may be occasions where the firm will need to seek specialist advice.
- Added a paragraph confirming that the responsibility for monitoring turnover in respect of VAT registration thresholds lies with the client.
- Clarification that the responsibility for employment taxes, pensions and the assessment of employment status for workers, lies with the client has also been included.

Engagement - terms of business (Audit and non-audit engagements)

- Updated paragraphs in the 'Fees and payment terms' section clarifying the use of insurance policies to cover fees, circumstances where clients are unable to pay fees and the rights of the firm to exercise a lien over all funds have also been added.
- Added a new section detailing standard business terms in relation to confidentiality.
- Clarification of potential actions of the firm, should a dispute arise between parties within the engagement.

Example reports

3 Statement of members' responsibilities

- Clarified that the reference to material departures is only required where there are any such departures.

Current file documents

Current file indices (both p/c before and on or after 15 Dec 21)

- Updated to more accurately reflect naming of A21-1, A21-2, A21-3 and B03/B14.

A21-2 Engagement quality review checklist (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

A21-2 Engagement quality review checklist (p/c before 15 Dec 21)

- Updated to ISQM version of form.

A21-3 Consultation review (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

A21-3 Consultation review (p/c before 15 Dec 21)

- Updated to ISQM version of form.

A22 Overall review of the financial statements (p/c on or after 15 Dec 21)

- Additional bullet 'requirements for and of a statement of cash flows' added to Q21.

A31 Audit completion checklist (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

A46 Fraud update and evaluation (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

B03 Preliminary engagement quality review (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

B10 Engagement review (p/c on or after 15 Dec 21)

- Under the 'New client checklist' heading, the wording has been updated from "We have completed B13..." to "We have completed / reviewed B13..." to reflect the fact that relevant matters should also be identified in future years when the client is not new.

B14 Preliminary engagement quality review (p/c before 15 Dec 21)

- Updated to ISQM version of form.

B32A-E Key accounting estimate (individual and freeform) (p/c on or after 15 Dec 21)

- Updated wording of the key assertions relevant to the accounting estimate which may be selected for clarity.

**Audit exemption documents:
Completion:**

A21 Audit exemption completion checklist, partner review and conclusion

- A new test has been added within the 'Completion checklist' section prompting consideration of matters which appear to indicate the financial statements may be misleading.

A22 Audit exemption overall review of the financial statements

- New tests have been added under the heading 'General' prompting reviews in respect of accounting policies, consideration of information contained in other documents issued with the accounts (including the directors' report and strategic report), etc.

**Audit exemption documents:
Planning:**

B40-FRF Change of financial reporting framework impact assessment

- A new document has been added to assist in assessing the impact of a change of financial reporting framework (FRF).

B13 New client checklist

- The checklist has been expanded to include a number of general factors when taking on a new client as well as space to record agreed action points.

**Audit exemption documents:
Detailed work programme:**

All

- Tests have been added and other minor amendments made to bring the work programmes in line with other manuals.

C2 taxation

- Minor amendments to corporation tax section to ensure it is kept up to date.

O2 VAT

- Minor amendments to ensure terminology is kept up to date.

Permanent file documents

PF1-2 The applicable financial reporting framework

- Additional bullet 'Requirements for a statement of cash flows' added.

PF5 Permanent audit planning documentation (both p/c before and on or after 15 Dec 21)

- Additional table added to list engagement team members each year if desired.

4 Charity v.17

Update - September 2023

What's changed

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

The principal technical changes in this update include:

- 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;
- The restructuring of the guidance notes; and
- The removal of independent examination content into a separate manual ~~which is included in the new charities package.~~

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.

As part of these changes, the manual now also includes documentation in relation to the use of component auditors.

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 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.

Independent examination

Documentation in relation to the independent examination of charities has been enhanced and moved into a separate manual, the Charities Independent Examination Manual. This manual has been renamed to the Charities Audit Manual, reflecting its audit focus. ~~Subscribers to the former Charities Manual will now have access to both the Charities Audit Manual and Charities Independent Examination manual as parts of the new Charities Package.~~

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
Guidance	
Contents	<ul style="list-style-type: none"> Updated for addition of the Group audit instruction letter and Group audit questionnaire to the Example letters section. Updated to reflect the removal of independent examination content.
Guidance notes	<ul style="list-style-type: none"> The guidance notes have been restructured to make them more user friendly and to ensure a more consistent approach across the suite. Appendix 6a to the guidance notes includes guidance on the new statistical sampling approach.
Getting started for new manual users	<ul style="list-style-type: none"> The Accessing the manual section has been removed - guidance on accessing manuals is available on the website.
What's changed	<ul style="list-style-type: none"> A copy of this What's changed notice has been added to the manual.
Example letters	
Schedule of professional services - Audit (all group letters)	<ul style="list-style-type: none"> Where appropriate, a minor update to more clearly reference the group and parent. Additional paragraph added in Section 2 to highlight the group auditor is responsible for the direction, supervision and review of the group audit, and to secure agreement to communicate with component auditors without further consent being required.
Group audit instruction letter	<ul style="list-style-type: none"> Added to the manual.
Group audit questionnaire	<ul style="list-style-type: none"> Added to the manual.
Example reports	

- All audit reports
 - Minor updates and amendments to reflect latest guidance.
- All group audit reports
 - Minor update to wording of last bullet point in the Auditor responsibilities for the audit of the financial statements section where the full responsibilities are included rather than a link to the FRC website.
- Group audit reports (England & Wales and Northern Ireland)
 - New reports added for charitable companies audited under charity law only.

Example accounts

- 1 Not Small SORP FRS 102 Financial Statements
 - Updated to state the accounts are based on standards and amendments in issue at 1 April 2023 (no technical changes to the content of the accounts).

Accounts disclosure checklists

- A32 SUMMARY Charities accounts disclosure checklist summary
 - Removed as not applicable for audited charities.
- A32 SORP checklist
 - Updated to state that the checklist reflects standards and amendments in issue as at 1 April 2023 (no technical changes to the content of the checklist).
- A32 Receipts and payments basis
 - Removed as not applicable for audited charities.

Current file documents

- Current file indices
 - Updated to reflect addition of A53 and B26.
- A22 Overall review of the group financial statements (group)
 - Point 8 updated to include reference to component auditors.
- A29 Reporting on irregularities, including fraud in the auditor's report (individual and group)
 - An additional column has been added to enable comments to be cross referenced back to where the underlying work has been performed.
- A31 Group audit completion checklist (group)
 - Four new bullet points added to Evidence section to reflect ISA 600 revisions.
 - Component auditors section added (shaded section).
 - References to ISA 600 updated.
- A41 Group subsequent events update and evaluation (group)
 - Additional shaded point added with respect to component auditors.
- A52-1 Communication with group management checklist (group)
 - Additional shaded points added with respect to component auditors.
- A52-2 Communication with those charged with governance of the group (group)
 - Additional shaded point added with respect to component auditors.

A53 Component auditors (group)	<ul style="list-style-type: none"> • New form added to manual.
B01 Group planning checklist (group)	<ul style="list-style-type: none"> • Additional point added in pre planning to reflect ISA 600 revisions. • Additional shaded points added with respect to component auditors.
B02 Group audit strategy (group)	<ul style="list-style-type: none"> • Minor update to wording of guidance to characteristics of the engagement and nature, timing and extent of resources sections to reflect ISA 600 revisions.
B05 Freeform planning memo (freeform)	<ul style="list-style-type: none"> • An additional row for Income has been added into the basis for determining materiality section.
B25 Materiality (individual)	<ul style="list-style-type: none"> • An additional row for Income has been added into the basis for determining materiality section.
B25 Materiality (group)	<ul style="list-style-type: none"> • An additional row for Income has been added into the basis for determining materiality section. • Update to component materiality section to reflect ISA 600 revisions.
B26 Component auditors (group)	<ul style="list-style-type: none"> • New form added to manual.
B30 Group inherent and control risk assessment (group)	<ul style="list-style-type: none"> • Minor update to Group audit approach section to reflect ISA 600 revisions.
B35 Group audit team discussion (group)	<ul style="list-style-type: none"> • Additional shaded point added with respect to component auditors.
B40 Audit plans (individual and group)	<ul style="list-style-type: none"> • Guidance in sampling section updated to refer to sampling plan(s) / sampling form(s) as appropriate.
B40/P2 Group audit plan - Intra group balances, transactions and consolidations	<ul style="list-style-type: none"> • Reference to financially significant, risk significant and not significant under components section removed due to ISA 600 revisions.
CSF Controls sampling form (individual, freeform and group)	<ul style="list-style-type: none"> • Updated to new format (no substantive technical changes).
SSF Substantive sampling form - Judgemental (individual, freeform and group)	<ul style="list-style-type: none"> • Updated to new format including more space to justify sample sizes.
SSF Substantive sampling form - Statistical (individual, freeform and group)	<ul style="list-style-type: none"> • New form for use with the new statistical sampling approach.
P Audit programme - Intra group balances, transactions and consolidations	<ul style="list-style-type: none"> • A - Update to wording of undertaking work on components test to reflect revisions to ISA 600. • F - Updates to two tests under consolidation section to reflect revisions to ISA 600.
Independent examination	<ul style="list-style-type: none"> • Section removed from manual (an enhanced suite of documentation is available in the Charities Independent Examination Manual).

Permanent file documents

- | | |
|-----------------------------------|--|
| Permanent file indices | <ul style="list-style-type: none">• Updated to reflect addition of PF1-9. |
| PF1-5 Groups | <ul style="list-style-type: none">• Additional point added to component entity risks section to reflect ISA 600 revisions. |
| PF1-7 Using the work of an expert | <ul style="list-style-type: none">• Auditor's expert section expanded. |
| PF1-9 Component auditors | <ul style="list-style-type: none">• New form added to manual. |

Supplementary forms

- | | |
|---|--|
| File review checklist (p/c on or after 15 Dec 21) | <ul style="list-style-type: none">• Groups section updated to reflect ISA 600 revisions. |
|---|--|

Update - February 2023

What's changed

We are pleased to issue updates to your Mercia Charities Manual (dated 02/23).

The principal technical changes in this update include the removal of content relating to the now superseded ISQCs and consequential amendments arising as a result of this. The Charities Manual, together with the Audit Procedures Manual, address engagement level quality management, with the [Quality Management Manual](#) addressing firm wide requirements.

In addition a number of minor amendments / improvements have been made to other sections of the Charities Manual, including updating engagement letters to reflect latest guidance.

See below for a full list of changes.

February 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
Guidance	
Contents	<ul style="list-style-type: none">Updated for relocation of file review checklists to supplementary forms section.
What's changed	<ul style="list-style-type: none">A copy of this What's changed notice has been added to the manual.
File review checklist (p/c before 15 Dec 21)	<ul style="list-style-type: none">File review checklist moved to Supplementary Forms section.
File review checklist (p/c on or after 15 Dec 21)	<ul style="list-style-type: none">File review checklist moved to Supplementary Forms section.
Example letters	
Engagement – Covering letter (individual charity covering letter)	<ul style="list-style-type: none">Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.A new section detailing how communication will be maintained throughout the engagement has been added.Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.

Engagement – Covering letter
(group charity)

- Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.
- A new section detailing how communication will be maintained throughout the engagement has been added.
- Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.

Engagement – Schedule of
professional services – audit

- Charity: audit - Ltd co (UK except Scotland) not small
- Charity: audit - Ltd co (England & Wales) small*
- Charity: audit - Ltd co (Northern Ireland) small
- Charity: audit - Ltd co (Scotland)

- Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.
- Added an optional paragraph in the 'Our responsibilities' section highlighting that the auditors have a statutory requirement to communicate with the group auditor.
- Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.
- A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.
- *Updated the guidance to confirm this schedule is for "small" limited company charities. (This change is specific to Charity: audit - Ltd co (England & Wales) small).

Engagement – Schedule of
professional services – audit

- Charity: audit - Unincorp and CIO (England & Wales)
- Charity: audit - Unincorp and SCIO (Scotland)
- Charity: audit - Unincorp (Northern Ireland)
- Charity: group audit - Ltd co (UK except Scotland)
- Charity: group audit - Ltd co (Scotland)
- Charity: group audit - Unincorp and CIO (England & Wales)
- Charity: group audit - Unincorp and SCIO (Scotland)
- Charity: group audit - Unincorp (Northern Ireland)

- Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.
- Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.
- A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.

Engagement - Schedule of
professional services - Independent
examinations

- Charity: independent examination - Ltd company (England & Wales)*
- Charity: independent examination - unincorporated or CIO (England & Wales)

- Added a paragraph in the 'Your responsibilities' section listing key requirements for the client to follow when preparing the financial statements, for example selecting suitable accounting policies and making judgements that are reasonable and prudent.
- Paragraphs to confirm that the client is responsible for safeguarding assets of the entity and the client will make available as and when required all relevant information to complete the independent examination.
- *Included a paragraph to confirm it is the clients responsibility to determine that an examination is required under section 145 of the Charities Act 2011. (This change is specific to Charity: independent examination - Ltd company (England & Wales)).

Engagement - Schedule of
professional services - Accounting

- Updated the 'Our responsibilities' section to clarify that the firm will advise the client on whether their accounting records are appropriate for the preparation of financial statements.
- Added a paragraph confirming that the firm has a professional duty to not allow its name to be associated with financial statements that could be misleading.
- Included an optional paragraph highlighting the responsibility to provide information in iXBRL format lies with the client, should they ask the firm to convert the financial statements into the iXBRL.

Engagement - Schedule of

- An optional paragraph has been included where clients have asked firms to convert the financial statements into the iXBRL format.

- | | |
|-------------------------------------|---|
| professional services - Compilation | <ul style="list-style-type: none"> • Clarification has been included to inform clients that, consent must be received from the firm, should they want to share the report with any third parties. |
| Engagement - Terms of business | <ul style="list-style-type: none"> • Updated paragraphs in the 'Fees and payment terms' section clarifying the use of insurance policies to cover fees, circumstances where clients are unable to pay fees and the rights of the firm to exercise a lien over all funds have also been added. • Added a new section detailing standard business terms in relation to confidentiality. • Clarification of potentials actions of the firm, should a dispute arise between parties within the engagement. |

Example reports

- | | |
|---|---|
| Statement of trustees' responsibilities | <ul style="list-style-type: none"> • Clarified that the reference to material departures is only required where there are such departures. |
|---|---|

Current file documents

- | | |
|---|---|
| Current file indices (both p/c before and on or after 15 Dec 21) | <ul style="list-style-type: none"> • Updated to more accurately reflect naming of A21-1, A21-2, A21-3 and B03/B14. |
| A21-2 Engagement quality review checklist (individual and group) (p/c on or after 15 Dec 21) | <ul style="list-style-type: none"> • ISQC version of form removed. • ISQM version retained but renamed to remove reference to ISQM as this is now the only version. |
| A21-2 Engagement quality review checklist (individual and group) (p/c before 15 Dec 21) | <ul style="list-style-type: none"> • Updated to ISQM version of form. |
| A21-3 Consultation review (individual and group) (p/c on or after 15 Dec 21) | <ul style="list-style-type: none"> • ISQC version of form removed. • ISQM version retained but renamed to remove reference to ISQM as this is now the only version. |
| A21-3 Consultation review (individual and group) (p/c before 15 Dec 21) | <ul style="list-style-type: none"> • Updated to ISQM version of form. |
| A22 Overall review of the financial statements (individual and group) (p/c on or after 15 Dec 21) | <ul style="list-style-type: none"> • Additional bullet 'requirements for and of a statement of cash flows' added to Q22. |
| A31 Audit completion checklist (individual and group) (p/c on or after 15 Dec 21) | <ul style="list-style-type: none"> • References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version. |
| A46 Fraud update and evaluation (individual and group) (p/c on or after 15 Dec 21) | <ul style="list-style-type: none"> • References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version. |
| B03 Preliminary engagement quality review (individual and group) (p/c on or after 15 Dec 21) | <ul style="list-style-type: none"> • ISQC version of form removed. • ISQM version retained but renamed to remove reference to ISQM as this is now the only version. |

B10 Engagement review (individual and group) (p/c on or after 15 Dec 21)

- Under the 'New client checklist' heading, the wording has been updated from "We have completed B13..." to "We have completed / reviewed B13..." to reflect the fact that relevant matters should also be identified in future years when the client is not new.

B14 Preliminary engagement quality review (individual and group) (p/c before 15 Dec 21)

- Updated to ISQM version of form.

B32A-E Key accounting estimate (individual, freeform and group) (p/c on or after 15 Dec 21)

- Updated wording of the key assertions relevant to the accounting estimate which may be selected for clarity.

Permanent file documents

PF1-2 The applicable financial reporting framework

- Additional bullet 'Requirements for a statement of cash flows' added.

PF5 Permanent audit planning documentation (both p/c before and on or after 15 Dec 21)

- Additional table added to list engagement team members each year if desired.

Supplementary forms

File review checklist (p/c before 15 Dec 21)

- File review checklist moved from Guidance section.

File review checklist (p/c on or after 15 Dec 21)

- File review checklist moved from Guidance section.

Update - April 2022

What's changed

We are pleased to issue updates to your Mercia Charities Manual (dated 04/22). The principal technical changes in these updates relate to:

- Changes to ISA 240 The auditor's responsibilities relating to fraud in an audit of financial statements;
- Changes to ISA 315 Identifying and assessing the risks of material misstatement; and
- The introduction of the new suite of Quality Management Standards.

The revised ISA 240 and ISA 315 apply for accounting periods commencing on or after 15 December 2021, with early adoption permitted. The revised suite of Quality Management Standards (ISA 220, ISQM 1 and ISQM 2 are effective from 15 December 2022, with early adoption permitted).

Changes to ISA 240 The auditor's responsibilities relating to fraud in an audit of financial statements

In May 2021, the FRC issued a revised ISA (UK) 240.

The revisions build on the earlier version of the standard, with the aim of addressing concerns that auditors are not doing enough to detect material fraud and that this may, at least in part, be due to a lack of clarity as to their obligations with respect to fraud. In addition to a greater focus on professional scepticism, the objectives of the auditor have been updated and a number of new requirements have been introduced. These have been incorporated into the methodology.

As part of the update, as well as revisions to existing forms, a new form at both the planning and completion stages has been added to address the revised requirements and ensure that fraud is given appropriate prominence within the methodology.

See below for a full list of changes to the Charities Manual.

Changes to ISA 315 Identifying and assessing the risks of material misstatement

In July 2020, the FRC issued a revised ISA (UK) 315 to reflect changes made by the IAASB to the standard.

The revised standard is a complete overhaul of the previous version and introduces many key changes to the approach that must be followed when identifying and assessing risks of material misstatement including:

- Restructured and revised requirements in connection with understanding the entity and its environment, the applicable

financial reporting framework and the entity's system of internal control;

- The introduction of the concept of a spectrum of inherent risk when assessing risks of material misstatement (a concept which will be familiar from previous revisions to ISA 540 *Accounting estimates and related disclosures*);
- A requirement for separate assessment of inherent and control risk;
- Increased focus on information technology and general IT controls; and
- New stand-back requirements in a number of areas.

In order to reflect the requirements of the revised standard, the audit methodology has been revised with most planning forms having been updated or replaced, and many consequential amendments to other forms too. Most notably, the methodology now places much greater emphasis on controls (including general IT controls) and requires greater detail when identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

The updates to the methodology for the ISA revisions have necessitated a restructure of the planning and permanent file sections of the manual. The restructure should facilitate a better flow through these sections of the manual. The independent examination forms have also been restructured for consistency. See below for a mapping of old to new references.

The revised ISA also made a number of consequential amendments to other ISAs which have been reflected in this manual.

Because of the significance of the amendments resulting from the changes to ISAs 240 and 315 two versions of the documentation have been included: one for periods commencing before 15 December 2021 reflecting the previous ISA requirements and another for periods commencing on or after 15 December 2021 reflecting the new versions. Full details of the changes are set out in the Audit Procedures Manual.

See below for a full list of changes to the Charities Manual.

The introduction of the new suite of Quality Management Standards.

In July 2021, the FRC issued a revised suite of Quality Management Standards. The suite includes:

- ISA (UK) 220 (Revised July 2021) Quality management for an audit of financial statements;
- ISQM (UK) 1 Quality management for firms that perform audits or reviews of financial statements, or other assurance related services engagements; and
- ISQM (UK) 2 Engagement quality reviews.

Updates have been made to the Charities Manual to include a new version of the

preliminary engagement quality control review form, a new version of the engagement quality control review checklist and a new version of the consultation / ethics review form. From 15 December 2022 (or earlier if the firm early adopts the new quality management suite of standards) the versions denoted 'ISQM version' should be used. Before this time the versions denoted 'ISQC version' should be used.

April 2022

April 2022 - Detailed list of changes

The below table provides a detailed list of changes within the manual. In addition to the items listed below, cross-references to other forms have been updated where appropriate, and minor changes have been made for formatting, grammar, consistency of naming (within group sections) and other editorial amendments. Any content which was relevant for periods commencing prior to 15 December 2019 has been removed.

Updated area	Main reason for change
Guidance	
Contents & guidance notes	<ul style="list-style-type: none"> Contents page updated for the changes made in this update. Guidance updated to remove references to the 2015 SORP as no longer applicable.
Getting started for new manual users	<ul style="list-style-type: none"> Getting started guidance updated for the changes made in this update.
What's changed	<ul style="list-style-type: none"> A copy of this What's changed notice has been added to the manual.
File review checklists	<ul style="list-style-type: none"> Moved into a new format. A new version for p/c on or after 15 December 2021 added.
Example letters	
Engagement - terms of business	<ul style="list-style-type: none"> Minor change to reflect ICAEW Code of Ethics requirements in respect of commissions.
Representation letters - Audit letter of representation (p/c on or after 15 Dec 21)	<ul style="list-style-type: none"> Minor change to reflect revised requirements of ISA 240 in connection with written representations. Minor amendments to reflect this version is for periods commencing on or after 15 December 2021.
Example accounts	
1 Non Small SORP FRS 102 Financial Statements	<ul style="list-style-type: none"> Minor updates for consistency, removal of dates which are no longer relevant and recent changes to standards.
Accounts disclosure checklists	
A32 SUMMARY Disclosure checklist summary	<ul style="list-style-type: none"> Updated to offer more guidance on selecting the appropriate checklists.
A32 SORP Checklist	<ul style="list-style-type: none"> Minor updates for recent changes to legislation and other minor editorial amendments.
Current file: Current file indices (p/c on or after 15 Dec 21)	
Current file indices	<ul style="list-style-type: none"> Moved to start of current file. Updated to reflect revised file structures.
Current file: Completion - Individual (p/c on or after 15 Dec 21) & Completion - Group (p/c on or after 15 Dec 21)	

A21-1 Responsible individual review and conclusion	<ul style="list-style-type: none"> Update to footnote.
A21-2 Engagement quality control checklist (ISQC version)	<ul style="list-style-type: none"> Renamed to highlight this version of the form applies before the new quality management standards are adopted.
A21-2 Engagement quality checklist (ISQM version)	<ul style="list-style-type: none"> A new version of the form applicable when the new quality management standards are adopted.
A21-3 Consultation / ethics review (ISQC version)	<ul style="list-style-type: none"> Renamed to highlight this version of the form applies before the new quality management standards are adopted.
A21-3 Consultation review (ISQM version)	<ul style="list-style-type: none"> A new version of the form applicable when the new quality management standards are adopted.
A21-3 Consultation / ethics review (ISQC version)	<ul style="list-style-type: none"> Renamed to highlight this version of the form applies before the new quality management standards are adopted.
A21-3 Consultation review (ISQM version)	<ul style="list-style-type: none"> A new version of the form applicable when the new quality management standards are adopted.
A25 Audit summary memorandum	<ul style="list-style-type: none"> Additional section added for key points and work performed over opening balances and consistency of accounting policies as part of best practice amendments.
A27 Summary of misstatements	<ul style="list-style-type: none"> Minor amendments to footnotes for clarity and consequential changes as a result of amendments for ISA 240.
A29 Reporting on irregularities, including fraud in the auditor's report	<ul style="list-style-type: none"> Additional comment in guidance notes as a result of a consequential amendment made to ISA 700 by the revised ISA 315.
A31 Audit completion checklist	<ul style="list-style-type: none"> Minor updates throughout for changes in terminology and requirements in connection with updates to ISAs 240 and 315. New procedures added with respect to consistency of accounting policies. Several procedures in respect of fraud have been removed from this form as they are now included in the new A46 instead. Procedures updated to remove reference to "For periods commencing on or after 15 March 2020" as this date has now passed. Several procedures have been re-ordered to give a more logical flow to the form. Reference changes only.
A45 Audit data analytics and other technology update and evaluation	
A46 Fraud update and evaluation	<ul style="list-style-type: none"> New form to evaluate key matters with respect to fraud in the completion section, based on the updated ISA 240 requirements.
A51 Written representations checklist	<ul style="list-style-type: none"> Minor updates to reflect changes in ISA 240.
A52-1 Communication with management checklist	<ul style="list-style-type: none"> Minor updates to reflect changes in ISA 240.
A71 Final analytical procedures	<ul style="list-style-type: none"> Additional bullet point added with respect to the revised ISA 240.

Current file: Planning (detailed) - Individual (p/c on or after 15 Dec 21) & Planning (detailed) - Group (p/c on or after 15 Dec 21)

B01 Planning checklist	<ul style="list-style-type: none"> Moved from B11. Guidance notes updated to reflect ISA 315 changes. First section renamed pre planning. Minor amendments to items for clarity, best practice and ISA 315 changes. New item added requiring completion of new fraud risk assessment form B34 which incorporates changes to ISA 240. New items added to risk assessment procedures and risk assessment / audit approach in relation to team meetings and team briefings given these have now been split in the methodology, and the team meeting section of this form has been removed as a result.
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B02 Audit strategy	<ul style="list-style-type: none"> • New form to ensure best practice in relation to an audit strategy is followed.
B03 Preliminary engagement quality control review (ISQC version)	<ul style="list-style-type: none"> • Moved from B14. • Renamed to highlight this version of the form applies before the new quality management standards are adopted.
B03 Preliminary engagement quality review (ISQM version)	<ul style="list-style-type: none"> • A new version of the form applicable when the new quality management standards are adopted.
B10 Engagement review	<ul style="list-style-type: none"> • New form to summarise the acceptance and appointment section.
B11 Acceptance of appointment or reappointment	<ul style="list-style-type: none"> • Moved from B12. • Minor amendments due to restructure of the planning and PF sections. • Removed references to "For periods commencing on or after 15 March 2020" as this date has now passed.
B12 Compliance with the Ethical Standard	<ul style="list-style-type: none"> • Moved from B13. • Minor amendments due to restructure of the planning section. • Minor amendments related to the introduction of the new quality management standards. • Removal of references to "For periods commencing on or after 15 March 2020" and "For periods commencing before 15 March 2020" and consequential updates to footnotes as this date has now passed. • Minor update to wording in consultation and communication section to reflect best practice terminology. • Moved from PF1.
B13 New client checklist	<ul style="list-style-type: none"> • Moved from PF1.
B14 Opening balances and consistency of accounting policies	<ul style="list-style-type: none"> • New form to assist in gathering sufficient appropriate audit evidence over opening balances and consistency of accounting policies.
B15 Terms of engagement - placeholder	<ul style="list-style-type: none"> • New placeholder added.
B20 Information gathering summary	<ul style="list-style-type: none"> • New form to summarise the information gathering section.
B21 Audit data analytics assessment	<ul style="list-style-type: none"> • Moved from B20. • Minor amendments for clarity.
B22-1 Communication with management	<ul style="list-style-type: none"> • Moved from B21-1. • Minor updates to fraud risk section to address ISA 240 changes. • New footnote added with additional guidance.
B22-2 Communication with those charged with governance	<ul style="list-style-type: none"> • Moved from B21-2. • "Agenda for" removed from title. • Minor updates to fraud risk section to address ISA 240 changes.
B23 Preliminary analytical review	<ul style="list-style-type: none"> • Moved from B22. • Update to objective in relation to the revised ISA 240. • Updated guidance notes in relation to the revised ISA 240. • New box added to conclusions section in relation to the revised ISA 240.
B24 Design and implementation of controls	<ul style="list-style-type: none"> • New form to summarise design and implementation of controls as part of the revised ISA 315 requirements.
B24X Control form	<ul style="list-style-type: none"> • New form to document design and implementation of controls as part of the revised ISA 315 requirements.
B25 Materiality	<ul style="list-style-type: none"> • Moved from B41.
B27 Company searches - placeholder	<ul style="list-style-type: none"> • New placeholder added.
B30 Inherent and control risk assessment	<ul style="list-style-type: none"> • New risk assessment form to comply with the requirements of the revised ISA 315 (replaces the previous B32).
B31X Assertion level risk	<ul style="list-style-type: none"> • New form to assess risk of material misstatement at the assertion level as part of the revised ISA 315 requirements.

B32X Key accounting estimate	<ul style="list-style-type: none"> • Moved from B30X. • Update to guidance notes to reflect the revised ISA 315 requirements. • Changes to form to reflect revised risk assessment process and linkage with the new B30.
B33 Going concern risk assessment	<ul style="list-style-type: none"> • Moved from B31. • Consequential amendment to risk assessment procedures section for changes to risk assessment forms.
B34 Fraud risk assessment	<ul style="list-style-type: none"> • New form to summarise conditions and events that may indicate Risk of Material Misstatement in the financial statements due to fraud and aid compliance with the revised ISA 240.
B35 Audit team discussion	<ul style="list-style-type: none"> • Moved from B23. • Additional reference to APM added in guidance notes. • Fraud risk section updated for changes to ISA 240. • Approach section removed (now on B41 Audit team briefing).
B40 Audit plans	<ul style="list-style-type: none"> • Moved from B33.
B41 Audit team briefing	<ul style="list-style-type: none"> • New form to aid in updating the audit team on changes since the audit team discussion and to brief on the audit approach.
B50 Budget	<ul style="list-style-type: none"> • Moved from B61.
SSF Substantive sampling form	<ul style="list-style-type: none"> • Minor update to approach to reflect spectrum of inherent risk.

Current file: Planning (freeform memo) - Individual (p/c on or after 15 Dec 21)

B01 Planning checklist Freeform memorandum approach	<ul style="list-style-type: none"> • Moved from B11. • Guidance notes updated to reflect ISA 315 changes. • First section renamed pre planning. • Minor amendments to items for clarity, best practice and ISA 315 changes. • New item added requiring completion of new fraud risk assessment which incorporates changes to ISA 240. • New items added to risk assessment procedures and risk assessment / audit approach in relation to team meetings and team briefings given these have now been split in the methodology, and the team meeting section of this form has been removed as a result.
B05 Audit planning memorandum	<ul style="list-style-type: none"> • Moved from B11 and no longer shares the same reference as the planning checklist. • Updated to reflect revised methodology with respect to updates to ISA 315 and ISA 240.
B13 New client checklist	<ul style="list-style-type: none"> • A copy of this form has been made available in the Planning (freeform memo) section.
B14 Opening balances and consistency of accounting policies	<ul style="list-style-type: none"> • New form to assist in gathering sufficient appropriate audit evidence over opening balances and consistency of accounting policies.
B21 Audit data analytics assessment	<ul style="list-style-type: none"> • A copy of this form has been made available in the Planning (freeform memo) section.
B24X Control form	<ul style="list-style-type: none"> • New form to document design and implementation of controls as part of the revised ISA 315 requirements.
B31X Assertion level risk	<ul style="list-style-type: none"> • New form to assess risk of material misstatement at the assertion level as part of the revised ISA 315 requirements.
B32X Key accounting estimate	<ul style="list-style-type: none"> • A copy of this form has been made available in the Planning (freeform memo) section. • Update to guidance notes to reflect the revised ISA 315 requirements. • Changes to form to reflect revised risk assessment process and linkage with the new B05.
B50 Budget	<ul style="list-style-type: none"> • Moved from B61.
SSF Substantive sampling form	<ul style="list-style-type: none"> • Minor update to approach to reflect spectrum of inherent risk.

Current file: Audit programmes (p/c on or after 15 Dec 21)

- | | |
|-------------------------------------|---|
| Audit programmes C to P | <ul style="list-style-type: none">• Minor amendment to wording of one test, highlighting the need to ensure appropriate restatement, where relevant.• Additional test inserted with respect to changes in accounting policies as part of best practice amendments. |
| D Audit programme - Related parties | <ul style="list-style-type: none">• Additional test inserted with respect to the revised ISA 240.• Changes as per above for audit programmes C to P.• Minor amendment to one test in connection with related parties / transactions not previously identified or disclosed. |
| N Audit programme - Trial balance | <ul style="list-style-type: none">• Changes as per above for audit programmes C to P.• A number of additional tests added in relation to the revised requirements of ISA 240.• Additional guidance added by way of footnotes. |

Current file: Proforma working papers (p/c on or after 15 Dec 21)

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| Proforma working papers | <ul style="list-style-type: none">• Sampling forms updated to reflect spectrum of inherent risk. |
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Current file: Independent examination

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|---|--|
| A21-3 Consultation / ethics review (ISQC version) | <ul style="list-style-type: none">• Renamed to highlight this version of the form applies before the new quality management standards are adopted. |
| A21-3 Consultation / ethics review (ISQM version) | <ul style="list-style-type: none">• A new version of the form applicable when the new quality management standards are adopted. |
| B01 Planning checklist | <ul style="list-style-type: none">• Moved from B11. |
| B02 Audit exemption eligibility checklist | <ul style="list-style-type: none">• First section renamed pre planning.• Moved from B12. |
| B11 Acceptance of appointment or reappointment | <ul style="list-style-type: none">• Minor update for clarity.• Moved from B13-1.• Additional guidance added to first point under other considerations. |
| B12 Assessment of independence threats and safeguards | <ul style="list-style-type: none">• Moved from B13-2. |
| B13 New client checklist | <ul style="list-style-type: none">• Moved from PF1. |

Current file: Staff appraisal form

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| Staff appraisal form | <ul style="list-style-type: none">• Moved into new format so it displays like other forms within the manual and is no longer treated as a separate attachment. |
|----------------------|--|

Permanent file (p/c on or after 15 Dec 21)

- | | |
|--|---|
| Permanent file indices | <ul style="list-style-type: none">• Updated to reflect revised file structures. |
| PF1-1 The entity and its environment | <ul style="list-style-type: none">• Completely revised form to address the requirements of the revised ISA 315. |
| PF1-2 The applicable financial reporting framework | <ul style="list-style-type: none">• New form to aid in understanding the applicable financial reporting framework as part of the revised ISA 315 requirements. |
| PF1-3 Laws and regulations | <ul style="list-style-type: none">• Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.• Insertion of additional wording in relation to the yearly sign off. |
| PF1-4 Related parties | <ul style="list-style-type: none">• Now incorporates the content of the former PF1-5.• Minor amendments to wording for consistency with the revised ISA 315.• Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.• Insertion of additional wording in relation to the yearly sign off. |

PF1-5 Groups	<ul style="list-style-type: none"> • Moved from PF3-3. • Minor changes to guidance notes and changed to a yes/no (add comments as needed) rather than notes format. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.
PF1-6 Using a service organisation	<ul style="list-style-type: none"> • Insertion of additional wording in relation to the yearly sign off. • Updates to wording and requirements of the form to improve clarity of requirements. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.
PF1-7 Using the work of an expert	<ul style="list-style-type: none"> • Insertion of additional wording in relation to the yearly sign off. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.
PF1-8 Accounting estimates	<ul style="list-style-type: none"> • Insertion of additional wording in relation to the yearly sign off. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.
PF1-10 Going concern	<ul style="list-style-type: none"> • Minor updates throughout to reflect ISA 315 amendments. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments. • Insertion of additional wording in relation to the yearly sign off.
PF2-1 Systems overview	<ul style="list-style-type: none"> • Minor changes to notes as a result of changes to ISA 315 requirements. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.
PF2-2 Key internal controls summary	<ul style="list-style-type: none"> • Insertion of additional wording in relation to the yearly sign off. • Moved from PF2-3. • The presentation of the form has changed and there have been other updates to better reflect the flow of the revised ISA 315.
PF2-3 Internal control overview	<ul style="list-style-type: none"> • Moved from PF2-2. • Completely revised form to address the requirements of the revised ISA 315.
PF2-4 Using the work of and communication with internal auditors	<ul style="list-style-type: none"> • Minor change to objective due to changes in ISA 315 requirements. • Additional point added in first section for completeness. • Minor update to guidance in footnote for consequential changes resulting from ISA 315 amendments.
PF3-1 New client checklist - placeholder	<ul style="list-style-type: none"> • Insertion of additional wording in relation to the yearly sign off. • New placeholder added.

Supplementary forms

All supplementary forms	<ul style="list-style-type: none"> • Updated so they are no longer period specific.
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April 2022 - Remapping summary

The below table provides a list of forms in the planning section of the current file and the permanent file, and indicates where they have moved to, if applicable, as part of this update of the manual.

Original reference and form	Revised reference	Comments (if applicable)
Planning		
B11 Planning checklist	B01	
B11 Audit planning memorandum (freeform only)	B05	
B12 Acceptance of appointment or reappointment	B11	
B13 Compliance with the Ethical Standard	B12	
B14 Preliminary engagement quality control review	B03	Now labelled with '(ISQC version)' with a new version '(ISQM version)' made available for adoption of the new quality management standards.
B20 Audit data analytics assessment	B21	
B21-1 Communication with management	B22-1	
B21-2 Agenda for communication with those charged with governance	B22-2	
B22 Preliminary analytical review	B23	
B23 Audit team discussion	B35	
B30A-E Key accounting estimate summary	B32A-E	Renamed 'Key accounting estimate'.
B31 Going concern risk assessment	B33	
B32 Risk assessment	B30	
B33 Audit plans	B40	
B41 Materiality	B25	
B61 Budget	B50	
CSF Test of controls sampling form	No Change	
SSF Substantive sampling form	No Change	
Permanent file		
PF1- New client checklist	B13 / PF3-1	
PF1-1 The entity and its environment	No Change	
PF1-3 Laws and regulations	No Change	
PF1-4 Related parties	No Change	
PF1-5 Groups	PF1-4	The content of this form has now been moved to PF1-4 Related parties.
PF1-6 Using a service organisation	No Change	
PF1-7 Using the work of an expert	No Change	
PF1-8 Accounting estimates	No Change	
PF1-10 Going concern	No Change	
PF2-1 Systems overview	No Change	
PF2-2 Internal control overview	PF2-3	
PF2-3 Key internal controls summary	PF2-2	
PF2-4 Using the work of and communication with internal auditors	No Change	

PF3-1 Risk analysis	Removed	
PF3-2 Fraud risk analysis	B34	Now included as part of B34.
PF3-3 Group risk analysis	PF1-5	

5 Audit exempt v.18

Update - April 2023

What's changed

We are pleased to issue updates to your Mercia Audit Exemption Manual (UK) (dated 04/23). The principal changes in this update relate to a number of minor amendments / improvements that have been made to across all sections of the Audit Exemption Manual, including updating engagement letters to reflect latest guidance.

See below for a full list of changes.

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

April 2023

April 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
All	<ul style="list-style-type: none">Section names have been changed and shortened for easier navigation and to allow manual users to include longer client names in 'Customiser'.Current file documents now download into the separate file sections such as planning, completion, etc.The disclosure checklist customisation now filters the Limited Company lead schedules.
Guidance	
Contents	<ul style="list-style-type: none">Updated for the changes made in this update including relocation of Change of financial reporting framework impact assessment and File review checklists to Supplementary forms section.
Guidance notes	

What do you need to know about this manual?

- Updated for the changes made in this update.

Audit Exemption guidance notes

- The section named 'Ceasing to be entitled to audit exemption' has been removed as such guidance should be sought from the Audit Manual Package in such situations.

Getting started for new manual users

- Updated for the changes made in this update.

What's changed

- A copy of this What's changed notice has been added to the manual.

File review checklist

- File review checklist moved to Supplementary forms section.

Example letters

Engagement letters - both (Ltd Co) and (Uninc)

Covering letter

- Updated the 'Professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.
- A new section detailing how communication will be maintained throughout the engagement has been added.
- Updated the 'Agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.

Schedule of professional services - accounts compilation (including Schedule of professional services - micro-entity accounts compilation)

- An optional paragraph has been included where clients have asked firms to convert the financial statements into the iXBRL format.
- Clarification has been included to inform clients that, consent must be received from the firm, should they want to share the report with any third parties.

Schedule of professional services -

- Included a paragraph confirming there may be occasions where the firm will need to seek specialist advice.

taxation	<ul style="list-style-type: none"> • Added a paragraph confirming that the responsibility for monitoring turnover in respect of VAT registration thresholds lies with the client. • Clarification that the responsibility for employment taxes, pensions and the assessment of employment status for workers, lies with the client has also been included.
Terms of business	<ul style="list-style-type: none"> • Updated paragraphs in the 'Fees and payment terms' section clarifying the use of insurance policies to cover fees, circumstances where clients are unable to pay fees and the rights of the firm to exercise a lien over all funds have also been added. • Added a new section detailing standard business terms in relation to confidentiality. • Clarification of potential actions of the firm, should a dispute arise between parties within the engagement.
Disengagement letter	<ul style="list-style-type: none"> • Expanded to include tax elements and to reflect changes made to the example Terms of business, in respect of confidentiality, and changes made to the accounts compilation schedule of services, in respect of third parties.
(Ltd Co) Pre year end letter and questionnaire	<ul style="list-style-type: none"> • Minor format changes.

Example reports

(Ltd Co) Example reports

(Ltd Co)
Accountant's
Reports

- Both the 'Core' and 'Full' examples now show an example explanatory paragraph.

(Uninc) Example reports

(Uninc)
Accountant's
Reports

- Separate 'Core' and 'Full' examples provided in line with the examples given for Limited Companies.
- The examples given have been drafted so that they can be used by any CCAB member firm.
- Old style audit exemption report withdrawn from the product range.

(Uninc)
Client's
Approval
Wording

- Alternative wording expanded.

Accounts disclosure checklists

A34 FRS 102 1AG
FRS 102 1A (Small
group)

- A number of disclosure points in relation to parent/subsidiary relations have been moved from Section 3 to Section 1 for clarity on when they apply.

Current file documents

(Ltd Co)
Completion documents

A22 Overall review of the financial statements

- New tests have been added under the heading 'General' prompting reviews in respect of accounting policies, consideration of information contained in other documents issued with the accounts (including the directors' report and strategic report), etc.

A71 Summary of financial ratios and trends

- Now provided as an Excel document.

(Ltd Co) Planning documents

B04 Dormant companies checklist

- A new form added.

B13 New client checklist

- The checklist has been expanded to include a number of general factors when taking on a new client as well as space to record agreed action points.

B40-FRF Change of financial reporting framework impact assessment

- Change of financial reporting framework impact assessment moved to Supplementary forms section.

(Ltd Co) Detailed work programmes:

All

- Tests have been added and other minor amendments made to bring the work programmes in line with other manuals.

O2 VAT

- Minor amendments to ensure terminology is kept up to date.

(Ltd Co) Lead schedules

- The FRS 105 lead schedules have been redrafted.

(Uninc)
Completion
documents

A22 Overall
review of
the accounts

- New tests have been added under the heading 'General' prompting reviews in respect of accounting policies, etc.

A71
Summary of
financial
ratios and
trends

- Now provided as an Excel document.

(Uninc) Planning
documents

B13 New
client
checklist

- The checklist has been expanded to include a number of general factors when taking on a new client as well as space to record agreed action points.

(Uninc) Detailed
work
programmes:

All

- Tests have been added and other minor amendments made to bring the work programmes in line with other manuals.

O2 VAT

- Minor amendments to ensure terminology is kept up to date.

(Uninc) Lead
schedules

- A new set of documents tailored for unincorporated assignments.

**Permanent file
documents**

(Uninc)
Permanent file
documents

- A new set of documents tailored for unincorporated assignments.

Supplementary forms

Change of
financial
reporting
framework
impact
assessment

- Change of financial reporting framework impact assessment moved from (Ltd Co) Planning documents within the Current file documents section.

File review
checklist

- File review checklist moved from Guidance section.
- Expanded to cover source of assumptions and work done by outside experts as well as one off assignments and hot file reviews.

Update - July 2022

What's changed

We are pleased to issue updates to your Mercia Audit Exemption Manual (dated 07/22). The principal technical changes in this update relate to minor updates for consistency, removal of dates which are no longer relevant and recent changes to standards.

To ensure consistency across our product range, the planning and permanent file sections of the manual have been restructured and for simplicity the changes have been applied with immediate effect in this manual. See below for a mapping of old to new references.

July 2022 - Detailed list of changes

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

Updated area	Main reason for change
Guidance	
Contents & guidance notes	<ul style="list-style-type: none">Contents page updated for the changes made in this update.
Getting started for new manual users	<ul style="list-style-type: none">Getting started guidance updated for the changes made in this update.
What's changed	<ul style="list-style-type: none">A copy of this What's changed notice has been added to the manual.
Example letters	
Engagement - terms of business	<ul style="list-style-type: none">Minor change to reflect ICAEW Code of Ethics requirements in respect of commissions.
Example accounts	
All example accounts	<ul style="list-style-type: none">Minor updates for consistency, removal of dates which are no longer relevant and recent changes to standards.
Accounts disclosure checklists	
A32 SUMMARY Disclosure checklist summary	<ul style="list-style-type: none">Updated to offer more guidance on selecting the appropriate checklists.
A32 SMALL FRS 102 1A	<ul style="list-style-type: none">Minor updates for recent changes to legislation and other minor editorial amendments.
A32 NOT SMALL FRS 102	<ul style="list-style-type: none">Minor updates for recent changes to legislation and other minor editorial amendments.
Current file: Current file indices (both for Limited Companies and Unincorporated Businesses)	
Current file indices	<ul style="list-style-type: none">Moved to start of current file.Updated to reflect revised file structures.
Current file: Current file indices (Unincorporated Businesses only)	
Current file indices	<ul style="list-style-type: none">Indices have been expanded to cover each accounting area in line with those provided for Limited Companies.

Current file: Completion (Unincorporated Businesses only)

A71 Unincorporated assignment summary of financial ratios and trends

- New document added.

Current file: Planning (both for Limited Companies and Unincorporated Businesses)

B01 Planning checklist

- Moved from B11.

B13 New client checklist

- Moved from PF1.

B15 Terms of engagement - placeholder

- New placeholder added.

B27 Company / Entity searches - placeholder

- New placeholder added.

B50 Budget

- Moved from B61.

Current file: Planning (Limited Companies only)

B02 Audit exemption eligibility checklist

- Moved from B12.

B03 Audit exemption client's needs checklist

- Moved from B13.

B40 Audit exemption overall approach

- Moved from B51.

B40-FRF Change of financial reporting framework impact assessment

- New document added.

Current file: Planning (Unincorporated Businesses only)

B40 Unincorporated assignment overall approach

- New document added.

Current file: Audit programmes (both for Limited Companies and Unincorporated Businesses)

O Audit programme - VAT

- Test added / amended to include a review of VAT adjustment calculations and include in the VAT summary.
- Minor changes to terminology to reflect current VAT schemes / bookkeeping practices.

Current file: Audit programmes (Unincorporated Businesses only)

Accounts preparation programmes - All

- Tests have been added to bring the work programmes in line with those provided for Limited Companies.

N2 Accounts preparation programme - Trial balance, journal adjustments and nominal ledger

- Renamed for consistency with other manuals.
- Tests relating to the opening trial balance have been combined.

R Accounts preparation programme - Permanent information

- Programme has been removed as its content was largely covered by the Permanent file indices.

Current file: Staff appraisal form

Staff appraisal form

- Moved into new format so it displays like other forms within the manual and is no longer treated as a separate attachment.

Permanent file

Permanent file indices

- Updated to reflect revised file structures.

PF3-1 New client checklist - placeholder

- New placeholder added.

PF4 Involvement in accounts preparation

- Moved from PF3.
- Minor changes to terminology to reflect current bookkeeping practices.

July 2022 - Remapping summary

The below table provides a list of forms in the planning section of the current file and the permanent file, and indicates where they have moved to, if applicable, as part of this update of the manual.

Original reference and form	Revised reference	Comments (if applicable)
Planning - Limited Companies		
B11 Audit exemption Planning checklist	B01	
B12 Audit exemption Planning checklist	B02	
B13 Audit exemption client's needs checklist	B03	
B51 Audit exemption overall approach	B40	
B61 Budget	B50	
Planning - Unincorporated Businesses		
B11 Unincorporated assignment planning checklist	B01	
B61 Budget	B50	
Permanent file		
PF1- New client checklist	B13 / PF3-1	
PF2-2 Systems and control procedures checklist	No Change	
PF3 Involvement in accounts preparation	PF4	

6 Academy v.11

Update - June 2023

What's changed

We are pleased to issue updates to your Mercia Academies Manual (dated 06/23).

The principal technical changes in this update include:

- Changes in relation to the issue of the *Academies Accounts Direction 2022 to 2023, Academies model accounts 2022 to 2023* and *Framework and guide for external auditors and reporting accountants of academy trusts*;
- Changes in relation to the requirements of the *Academy Trust Handbook (effective 1 September 2022)* (also known as the *Academies Financial Handbook*);
- Changes in relation to the *Teachers' Pensions Reporting Accountant Guidance TP05 for 2022/23*, pertaining to the reporting requirements of the Teachers' Pensions End of Year Certificate (EOYC);
- The introduction of documentation to support group audits involving component auditors;
- The introduction of a new (optional) statistical sampling approach; and
- The restructuring 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.

The issue of the *Academies Accounts Direction 2022 to 2023, Academies model accounts 2022 to 2023* and *Framework and guide for external auditors and reporting accounts of academy trusts*

The Education & Skills Funding Agency issued its Accounts Direction 2022 to 2023, model set of academy accounts and framework and guide for auditors and reporting accountants in April 2023. This Accounts Direction and the related documents must be used by academy trusts preparing annual reports to 31 August 2023. We have updated the pro-forma accounts, accounts disclosure checklist and other relevant forms and guidance to reflect changes made to the 2023 reporting requirements.

The requirements of the *Academy Trust Handbook (effective 1 September 2022)* (also known as the *Academies Financial Handbook*)

Relevant forms and guidance on regularity reporting within the Academies Manual have also been updated to reflect the Academies Financial Handbook 2022, which became effective on 1 September 2022.

Teachers Pensions Reporting Accountant Guidance TP05 for 2022/23, pertaining to the reporting requirements of the Teachers' Pensions End of Year Certificate (EOYC)

Teachers' Pensions have published Reporting Accountant Guidance TP05 for 2022/23 which contains information on reporting requirements pertaining to the Teachers' Pensions End of Year Certificate (EOYC). Documentation and guidance for this engagement have been updated in the manual to reflect the updated requirements. The EOYC reporting engagement has a filing deadline of 30 September 2023.

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 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

June 2023

June 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
Guidance	
Contents	<ul style="list-style-type: none"> Updated for addition of the Group audit instruction letter and Group audit questionnaire to the Example letters section. Updated to remove references to the documents relevant for audit of periods commencing before 15 December 2021, which have been removed as no longer relevant to the audit of academies for the year ending 31 August 2023.
Guidance notes	<ul style="list-style-type: none"> The guidance notes have been restructured to make them more user friendly and to ensure a more consistent approach across the suite. Guidance notes have been updated to reflect the requirements of the Academies Accounts Direction 2022 to 2023 and the Academy Trust Handbook 2022. ESFA, HMRC and Charity Commission postal addresses have been updated in Section 6. Appendices 1b, 2b, 2.1b and 3b have been removed as they related to documents relevant for audit of periods commencing before 15 December 2021, which have been removed from this edition. Appendices 1a, 2a, 2.1a and 3a have been renumbered as 1, 2, 2.1 and 3. Appendix 3 to the guidance notes includes guidance on the new statistical sampling approach.
Getting started for new manual users	<ul style="list-style-type: none"> The Accessing the manual section has been removed - guidance on accessing manuals is available on the website.
What's changed	<ul style="list-style-type: none"> A copy of this What's changed notice has been added to the manual.
Example letters	
4 Schedule of professional services - Teachers' Pensions	<ul style="list-style-type: none"> Tripartite appendix updated for minor changes in TP05 2022/23 (Version 1). Updated to refer to TP05 2022/23 (Version 1) relevant for Teachers' Pensions assurance assignments for the year ended 31 March 2023.
5 Schedule of professional services - Accounts Return	<ul style="list-style-type: none"> Updated reference dates for the 2023 return.
7.2 Letter of representation - regularity assurance	<ul style="list-style-type: none"> Updated references to the Academy Trust Handbook 2022.
7.3 Letter of representation - Teachers' Pensions	<ul style="list-style-type: none"> Updates period end date to 31 March 2023.
8 Group audit instruction letter	<ul style="list-style-type: none"> New form added to support group audits involving component auditors.
9 Group audit questionnaire	<ul style="list-style-type: none"> New form added to support group audits involving component auditors.
Example reports	
Audit report (individual entity)	<ul style="list-style-type: none"> Year/period end date of 31 August 2023 added as all academies report to the same date. Updated references to Academies Accounts Direction 2022 to 2023. Minor updates and amendments to reflect latest guidance.
Audit report (group)	<ul style="list-style-type: none"> Year/period end date of 31 August 2023 added as all academies report to the same date. Updated references to Academies Accounts Direction 2022 to 2023. Minor updates and amendments to reflect latest guidance.
Teachers' Pensions report	<ul style="list-style-type: none"> Updated to refer to TP05 2022/23 (Version 1) relevant for Teachers' Pensions assurance assignments for the year ended 31 March 2023.

Statement of trustees' responsibilities	<ul style="list-style-type: none"> Updated reference to Academies Accounts Direction 2022 to 2023.
Report to management	<ul style="list-style-type: none"> Updated references to Academies Accounts Direction 2022 to 2023. Minor editorial amendments.
Statement on regularity, propriety and compliance	<ul style="list-style-type: none"> Detail added to reflect the requirement to refer to responsibilities relating to estates safety and management. Updated references to the Academy Trust Handbook 2022.
Assurance report on regularity	<ul style="list-style-type: none"> Updated references to Academies Accounts Direction 2022 to 2023. Updated references to Academy Trust Handbook 2022.
Example accounts	<ul style="list-style-type: none"> Updated references to Academies Accounts Direction 2022 to 2023. Dates throughout rolled forward to reflect 2023 as the current year and 2022 as the prior year. Hyperlink to Academies Accounts Direction 2022 to 2023 added to front cover. References to periods commencing before 1 January 2021 removed as no longer relevant. Governance statement: detail added to prompt for consideration of how the trust has effectively used relevant funding to ensure the trust's estate is safe, well-maintained, and complies with relevant regulations. Balance sheet: pension asset caption added. Note 4: guidance added in response to ESFA clarification that material ESFA/DfE grants should be separately listed in the note. Note 31: text added to reflect minor edit in the AAD confirming the DfE has reaffirmed its commitment to the LGPS guarantee.
Accounts disclosure checklist	<ul style="list-style-type: none"> Updated references to Academies Accounts Direction 2022 to 2023. Financial review: detail added to risks and uncertainties to reflect requirement to consider estates safety and management risk. Organisational structure: detail added to reflect requirement to refer to organisational structure of subsidiaries, joint ventures and associates of the academy trust. Governance statement: detail added to clarify that governance structure information should be provided in respect of the audit and risk committee in addition to the Board. Governance statement: detail added to clarify that descriptions of processes to manage conflicts of interest should extend beyond requiring declarations of interest. Governance statement: detail added to clarify that the value for money statement should include up to three examples and consider demonstrating how the trust has effectively used relevant funding to ensure the trust's estate is safe, well-maintained, and complies with relevant regulations. Statement on regularity, propriety and compliance: detail added to reflect the requirement to refer specifically to estates safety and management. Staff costs: detail added to clarify that teaching assistants should be included in 'administration and support' in the headcount disclosure.
Current file documents	
Periods commencing before 15 December 2021	<ul style="list-style-type: none"> Documents relevant for audits of periods commencing before 15 December 2021 have been removed as no longer relevant to the audit of academies for the year ending 31 August 2023.
Current file indices	<ul style="list-style-type: none"> References to A53 and B26 added to the completion and planning indices respectively.
A22 Overall review of the group financial statements	<ul style="list-style-type: none"> Text added to point 8 to clarify that uncorrected misstatements should include those identified by component auditors, where they are involved.

A29 Reporting on irregularities, including fraud in the auditor's report (individual and group)	<ul style="list-style-type: none"> • An additional column has been added to enable comments to be cross referenced back to where the underlying work has been performed.
A31 Group audit completion checklist	<ul style="list-style-type: none"> • An additional section has been added to the form for considerations where component auditors are involved.
A41 Group subsequent events update and evaluation	<ul style="list-style-type: none"> • Point 2 inserted for consideration where component auditors are involved.
A52-1 Communication with group management checklist	<ul style="list-style-type: none"> • Bullet point added to point 3 for consideration where component auditors are involved.
A52-2 Communication with those charged with governance of the group checklist	<ul style="list-style-type: none"> • Point 8 added for consideration where component auditors are involved.
A53 Component auditors	<ul style="list-style-type: none"> • New form added to support group audits involving component auditors.
B01 Group planning checklist	<ul style="list-style-type: none"> • Shaded text added to each section for consideration where component auditors are involved.
B20 Information gathering summary	<ul style="list-style-type: none"> • Section added for key matters arising from communication with component auditors and component risk assessment.
B22-1 Communication with group management	<ul style="list-style-type: none"> • Shaded bullet point added to 'Nature of assignment' section for consideration where component auditors are involved.
B22-2 Communication with those charged with governance	<ul style="list-style-type: none"> • Shaded bullet point added to 'Nature of assignment' section for consideration where component auditors are involved.
B26 Component auditors	<ul style="list-style-type: none"> • New form added to support group audits involving component auditors.
B35 Group audit team discussion	<ul style="list-style-type: none"> • Shaded bullet added under 'Fraud risk' section for consideration where component auditors are involved.
B40 Audit plans (individual and group)	<ul style="list-style-type: none"> • Guidance in sampling section updated to refer to sampling plan(s)/ sampling form(s) as appropriate.
B40/P2 Group audit plan – Intra group balances, transactions and consolidations	<ul style="list-style-type: none"> • Sections to plan the approach to consolidation and group components have been added.
CSF Controls sampling form (individual, freeform and group)	<ul style="list-style-type: none"> • Updated to new format (no substantive technical changes).
SSF Substantive sampling form - Judgemental (individual, freeform and group)	<ul style="list-style-type: none"> • Updated to new format including more space to justify sample sizes.
SSF Substantive sampling form - Statistical (individual, freeform and group)	<ul style="list-style-type: none"> • New form for use with the new statistical sampling approach.
M work programme	<ul style="list-style-type: none"> • Test C3 updated to reflect clarification that teaching assistants should be included in 'administration and support' in the headcount disclosure. • Test F17 updated to refer to special severance payments and update detail of exit packages requiring prior ESFA approval.
TP-1 Teachers' pensions work programme	<ul style="list-style-type: none"> • Updated to refer to TP05 2022/23 (Version 1) relevant for Teachers' Pensions assurance assignments for the year ended 31 March 2023. • Minor amendments for consistency with TP05 2022/23. • Minor editorial amendments.

Permanent file documents

Periods commencing before 15 December 2021	<ul style="list-style-type: none"> • Documents relevant for audits of periods commencing before 15 December 2021 have been removed as no longer relevant to the audit of academies for the year ending 31 August 2023.
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Permanent file indices

- Reference to PF1-9 added.

PF1-7 Using the work of an expert

- Auditor's expert section expanded.

~~PF1-9 Component auditors~~

- ~~• New form added to support group audits involving component auditors.~~

Supplementary forms

File review checklist

- A copy of the cold file review checklist has been added to the file.

Update - March 2023

What's changed

We are pleased to issue updates to your Mercia Academies Manual (dated 03/23).

The principal technical changes in this update include the removal of content relating to the now superseded ISQCs and consequential amendments arising as a result of this. The Academies Manual, together with the Audit Procedures Manual, address engagement level quality management, with the Quality Management Manual addressing firm wide requirements.

In addition a number of minor amendments / improvements have been made to other sections of the Academies Manual, including updating engagement letters to reflect latest guidance.

See below for a full list of changes.

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

March 2023

March 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
Guidance	
What's changed	<ul style="list-style-type: none">A copy of this What's changed notice has been added to the manual.
Example letters	
1 Engagement – Covering letter	<ul style="list-style-type: none">Updated the 'professional services provided' section to include a new paragraph which confirms whether disbursements are expected to be incurred.A new section detailing how communication will be maintained throughout the engagement has been added.Updated the 'agreement of terms' section to include reference to the firm's privacy notice on their website and reference to the standard terms of business in relation to instances of variation or termination of the engagement.
2.1 Engagement – Schedule of professional services - Audit	<ul style="list-style-type: none">Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.Added an optional paragraph in the 'Our responsibilities' section highlighting that the auditors have a statutory requirement to communicate with the group auditor.Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.
2.2 Engagement – Schedule of professional services – Audit (Group)	<ul style="list-style-type: none">Moved the paragraph highlighted the client's responsibility towards publishing electronic information from the 'Scope of audit' section to the 'Your responsibilities' section.Included a paragraph in 'Our responsibilities' confirming that the client is to be informed should matters or significant facts arise that may raise ethical concerns.A paragraph was added to the 'Scope of audit' section explaining that the auditors may also use analytical tools in their work.
3 Engagement - Schedule of professional services - Regularity assurance	<ul style="list-style-type: none">Added a section on 'Your responsibilities' and included a paragraph confirming the client acknowledges and agrees to the responsibilities of the academy trust, as set out in the Framework and guidance for external auditors and reporting accountants of academy trusts.

4 Engagement - Schedule of professional services - Teachers Pensions

6 Engagement - Standard terms of business

- Added a section on 'Your responsibilities' and included a paragraph confirming the client acknowledged and agreed to the responsibilities of the employer set out in the pre-agreed standardised terms of engagement included within the TP05 guidance.
- Updated paragraphs in the 'Fees and payment terms' section clarifying the use of insurance policies to cover fees, circumstances where clients are unable to pay fees and the rights of the firm to exercise a lien over all funds have also been added.
- Added a new section detailing standard business terms in relation to confidentiality.
- Clarification of potential actions of the firm, should a dispute arise between parties within the engagement.

Example reports

Statement of trustees' responsibilities

- Clarified that the reference to material departures is only required where there are such departures.

Current file documents

Current file indices (both p/c before and on or after 15 Dec 21)

- Updated to more accurately reflect naming of A21-1, A21-2, A21-3 and B03/B14.

A21-2 Engagement quality review checklist (individual and group) (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

A21-2 Engagement quality review checklist (individual and group) (p/c before 15 Dec 21)

- Updated to ISQM version of form.

A21-3 Consultation review (individual and group) (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

A21-3 Consultation review (individual and group) (p/c before 15 Dec 21)

- Updated to ISQM version of form.

A22 Overall review of the financial statements (individual and group) (p/c on or after 15 Dec 21)

- Additional bullet 'requirements for and of a statement of cash flows' added to Q23.

A31 Audit completion checklist (individual and group) (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

A46 Fraud update and evaluation (individual and group) (p/c on or after 15 Dec 21)

- References to ISA (UK) 240 updated to reflect the FRC's reissued ISA which includes corrected numbering aligned to the international version.

B03 Preliminary engagement quality review (individual and group) (p/c on or after 15 Dec 21)

- ISQC version of form removed.
- ISQM version retained but renamed to remove reference to ISQM as this is now the only version.

B10 Engagement review (individual and group) (p/c on or after 15 Dec 21)

- ~~Under the 'New client checklist' heading, the wording has been updated from "We have completed B13..." to "We have completed / reviewed B13..." to reflect the fact that relevant matters should also be identified in future years when the client is not new.~~

B14 Preliminary engagement quality review (individual and group) (p/c before 15 Dec 21)

- Updated to ISQM version of form.

B32A-E Key accounting estimate (individual, freeform and group) (p/c on or after 15 Dec 21)

- Updated wording of the key assertions relevant to the accounting estimate which may be selected for clarity.

Permanent file documents

PF1-2 The applicable financial reporting framework

- Additional bullet 'Requirements for a statement of cash flows' added.

PF5 Permanent audit planning documentation (both p/c before and on or after 15 Dec 21)

Chart of account

- Additional table added to list engagement team members each year if desired.
- The chart of accounts has been updated to reflect the changes made in CCH Accounts production.