



MEMORANDUM

To: Technical Representatives

From: Andrew Jarvis

Date: 10 December 2015

Ref: TM 13/15

HAT CHARITIES MANUAL ~ JANUARY 2015

The HAT Charities Manual has been updated to reflect the changes to financial reporting for charities preparing financial statements on an accruals basis for periods commencing on or after 1 January 2015.

The Charity Commission (together the Office of the Scottish Charity Regulator (OSCR)) have released two SORPs.

- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (“SORP 2015 (FRS 102)”); and
- Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard Smaller Entities (effective January 2015) (“SORP 2015 (FRSSE)”).

This Manual is based on the SORP 2015 (FRS 102). However, it can also be used when auditing, independently examining or preparing the financial statements of a charity adopting the SORP 2015 (FRSSE). Please note, the Manual has been prepared for use for charities who operate in England and Wales. Charities who also operate in Scotland or other jurisdictions may be subject to additional law and regulation which is not covered within the Manual.

It is currently anticipated that charities will not be able to adopt the SORP 2015 (FRSSE) for periods commencing on or after 1 January 2016. For this reason, together with the fact that disclosure requirements of both SORPs are very similar and also the impact of FRS 102 on many charities will not be significant, HAT recommend that the SORP 2015 (FRS

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102) is followed even where charities would have the option of following the SORP 2015 (FRSSE).

The main changes to the Manual are as follows:

- A new disclosure checklist, following the format in the HAT Audit Manual and reflecting the requirements of the SORP 2015 (FRS 102);
- Updating of all work programmes to reflect the requirements of FRS 102;
- Inclusion (where appropriate) of the enhancements made to the HAT Audit Manual and explained in Technical Memo 06/15.

Requirement for a ‘true and fair override’ for charities preparing financial statements under the Charities Act 2011

It should be noted there is a conflict between the new SORPs and the Charities (Accounts and Reports) Regulations 2008 as these require the SORP (2005) to be followed. These regulations govern the financial statements of charities which are not charitable companies. To resolve this conflict, the Charity Commission has recommended the inclusion of a ‘true and fair’ override disclosure. The wording below applies where the SORP 2015 (FRS 102) has been used:

The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The accounts (financial statements) have been prepared to give a ‘true and fair’ view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a ‘true and fair view’. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn

More details, including appropriate wording where the SORP 2015 (FRSSE) is used can be obtained in section 8 of [Charity Reporting and Accounting: The Essentials March 2015](#), which can be obtained from the Charity Commission’s website.

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