

To: All firms  
From: Andrew Jarvis  
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### UPDATE TO THE HAT CHARITIES MANUAL: SORP UPDATE BULLETIN 2

The HAT Charities Manual has been updated as part of our annual update cycle. The principle reason for the update is the Charities SORP Update Bulletin 2, issued in October 2018. This reflects the 2017 Triennial Review of FRS 102, which is mandatory for periods commencing 1 January 2019 (with early adoption permitted). It also makes several clarifications, which must be followed for periods commencing on or after 5 October 2018. However, we do not expect these clarifications to have an impact on most existing users of the Manual.

The updated Manual is titled "June 2016 (12-18 Update)". This reflects that the Manual still applies for accounting periods commencing on or after 17 June 2016, as well as covering amendments made for entities with accounting periods commencing **before** 1 January 2019. Where relevant, the Manual covers the requirements both before and after the adoption of SORP Update Bulletin 2.

We have also taken the opportunity to make several other technical changes, primarily to keep the Manual consistent with changes made to our Corporate Audit Manual during 2018.

The following is a complete list of documents which have been updated:

- Aa1 (Appendix 3.1) – it has been clarified that any modification to the audit report will trigger a whistleblowing report to the Charity Commission;
- Aa7 (Appendix 3.7) – two significant risks (management override and revenue recognition) are now included by default;
- Aa13 (Appendix 3.10) – it has been clarified that whistleblowing to the Commission does not represent a tipping off offence under the Money Laundering Regulations;
- Ab4 (Appendix 3.15) – a number of questions have been changed to reflect SORP Update Bulletin 2 and it has been clarified that all charities over the Charities Act audit threshold must comment on how they fundraise from the public in their trustees report.
- PAF:B1 (Appendix 1.9.2) – minor amendments to reflect GDPR;
- Ac10 (Appendices 1.12a and 1.12.b) – enhanced requirements to document the auditor's consideration of the risk of management override;

- Ac19 (Appendix 1.21) – minor changes in wording of the assignment terms letter, including dealing with management override and revenue recognition as significant risks;
- D2 (Appendix 2.3) – additional tests on the investments audit programme to cover the split of mixed use property between investment property and functional fixed assets to deal with the new requirements of SORP Update Bulletin 2;
- E2 (Appendix 2.4) – the requirement to disclose cost of stock sold has been removed;
- H2 (Appendix 2.6) – clarification has been added that firms may opt, on a risk-sensitive basis not to obtain a bank letter. However, this approach should always be justified;
- O2-1 (Appendix 2.12.1) – an additional test has been included to ensure that dividends and associated gift-aid income from trading subsidiaries are recognised in the correct accounting period;
- Pro-forma independent examination reports (Appendices 4.3.1 – 4.3.3) – guidance has been added to explain that firms may wish to move the ‘Bannerman’ paragraph to the end of the report of the report to be consistent with audit reports.

All amended documents are annotated as “12/18” in the footer.

In addition, the Manual no longer contains a ‘Pro-forma Documents’ folder. Instead this can be accessed separately by all subscribers to the Manual from the Member’ Area of our [website](#).

Users should download the Manual **IN FULL** from our Members’ Area, overwriting any existing copies.

For firms using CaseWare, these changes will (where relevant) be reflected in the next update of the template which we expect CaseWare to issue in due course.

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](mailto:andrew@hatgroup.co.uk)