

To: All firms
From: Andrew Jarvis
Date: 4 February 2019

UPDATE TO THE HAT PENSION SCHEMES MANUAL: 2018 SORP

The HAT Pensions Manual has been updated as part of our annual update cycle. The principle reason for the update is the publication by PRAG of a revised SORP (Financial Reports of Pension Schemes – 2018). The revised SORP is mandatory for periods commencing 1 January 2019 with early adoption permitted. The SORP reflects:

- Changes required by the FRC's triennial review of FRS 102; and
- Updates made to pensions legislation since the publication of the previous SORP in 2014.

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. Where relevant, the Manual highlights the changes made and hence can be used regardless of which version SORP has been followed.

The main changes made in this update are:

- The wording of the Auditor's Statement about Contributions has been re-ordered to reflect the guidance in Practice Note 15 (Revised); and
- Guidance on disclosure of the fair value hierarchy of investments has been updated on the investments audit programme and disclosure checklist to reflect the enhanced guidance contained in the SORP. It is important that users review disclosures made to ensure they reflect the updated SORP.

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:

- Aa7 (Appendix 3.7) – two significant risks (management override and revenue recognition) are now included by default;
- Aa12 (Appendix 3.11) – it has been clarified that whistleblowing to the Pensions Regulator (tPR) does not represent a tipping off offence under the Money Laundering Regulations;
- Ab2 (Appendix 3.17) – a small number of questions have been changed to reflect the changes in SORP 2018. Where this represents a change, rather than clarification this

has been clearly highlighted. Guidance on disclosure of the fair value hierarchy has also been improved as noted above;

- PAF:B1 (Appendix 1.10.2) – minor amendments to reflect GDPR;
- Ac10 (Appendices 1.13.1 and 1.13.2) – enhanced requirements to document the auditor’s consideration of the risk of management override;
- Ac19 (Appendices 1.22 and 4.4) – minor changes to the assignment terms letter wording, including management override and revenue recognition as significant risks;
- C2 (Appendix 2.1) – updating of our guidance on the fair value hierarchy (Levels 1/2/3) to align it to the enhanced guidance in the SORP;
- E2 (Appendix 2.2) – 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; and
- The pro-forma Auditor’s Statement about Contributions (Appendix 3.15) has been substantially amended to reflect the order of wording now in Practice Note 15 issued by the FRC (note, the wording itself has not changed).

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.

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