



# The Audit Findings for The General Osteopathic Council

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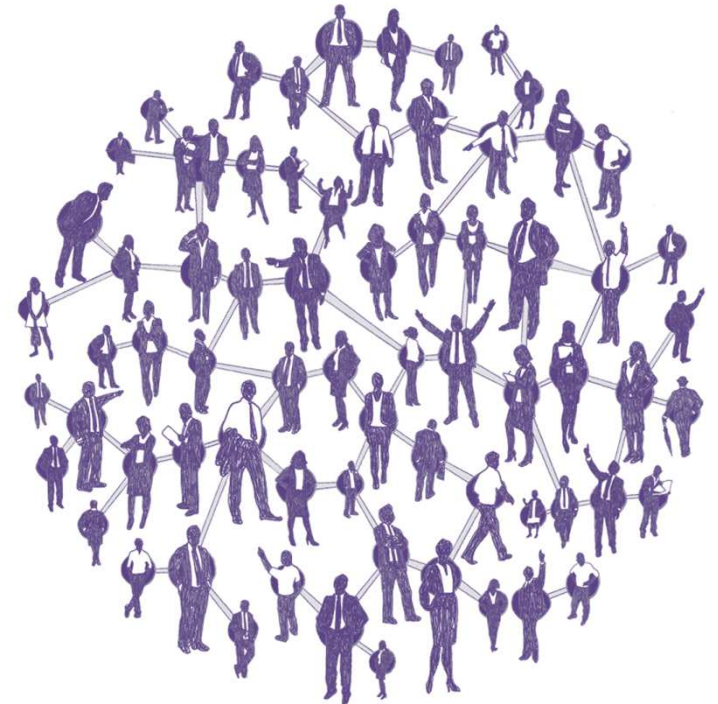
**Year ended 31 March 2015**

23 June 2015

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The Audit and Risk Committee  
General Osteopathic Council  
176 Tower Bridge Road  
London  
SE1 3LU

23 June 2015

Dear Committee members,

**Audit Findings for The General Osteopathic Council for the year ended 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance, as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with the Audit and Risk Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours faithfully

Jenny Brown, Director, Grant Thornton UK LLP

**Chartered Accountants**

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# Status of the audit and audit opinion

**Our work is substantially complete and there are currently no matters of which we are aware which would require modification of our audit opinion, subject to the outstanding matters detailed below.**



The following items will be required prior to sign off:

- Review of the financial statements
- Finalisation of our standard completion procedures and internal reviews
- Subsequent events review to the date of signing financial statements
- Receipt of signed letter of representation and financial statements

**Our anticipated audit report will be unmodified**

# Significant Risk Findings

	Significant Risks identified in our audit plan	Commentary
1.	<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities</li> </ul>	<ul style="list-style-type: none"> <li>In responding to this assessed risk, we carried out the following                             <ul style="list-style-type: none"> <li>Performing a review of accounting estimates, judgements and decisions made by management and the Council.</li> <li>Testing journal entries which were determined through the use of our data interrogation software (IDEA) which enabled the audit team to focus on higher risk journal postings.</li> <li>Identifying related parties and related party transactions to ensure related party transactions could be identified.</li> <li>Investigating unusual significant transactions, if we noted any, during testing.</li> </ul> </li> </ul> <p><b>Conclusion</b></p> <p>The results of our testing did not identify any indication of managements override of controls.</p>
2.	<p><b>Improper revenue recognition</b></p> <ul style="list-style-type: none"> <li>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue</li> </ul>	<ul style="list-style-type: none"> <li>In responding to this assessed risk, we carried out the following.                             <ul style="list-style-type: none"> <li>Reviewing and test revenue recognition policies for all material revenue streams.</li> <li>Reviewing key controls on significant revenue streams.</li> </ul> </li> </ul> <p><b>Conclusion</b></p> <p>No significant issues have arisen with regards to the treatment of revenue.</p>

# Findings from reasonably possible risks identified

	Risks identified in our audit plan	Commentary
1.	<p><b>Revenue (existence and completeness)</b></p> <ul style="list-style-type: none"> <li>A substantial portion of revenue in the year is derived from registration fees from Osteopaths. In the year this totalled £2.6m of the Council's total income of £2.7m. These monies are received in advance of the period to which the registration relates.</li> </ul>	<ul style="list-style-type: none"> <li>In responding to this assessed risk, we:                             <ul style="list-style-type: none"> <li>Analytically reviewed registrants' fees received in the period against expectations and the prior year.</li> <li>Performed a proof in total test on fee income by estimating total fees due for the year using information from the CRM system and comparing them to those recorded in the accounting system</li> <li>Reviewed revenue in line with the revenue recognition policy to ascertain that cut off treatment had been applied such that revenue recognised in the year was appropriate and the year-end deferred revenue balance was correct.</li> </ul> </li> </ul> <p><b>Conclusion</b></p> <p>No issues have arisen from our testing of registration fee revenue.</p>
2	<p><b>Trade debtors (Valuation net)</b></p> <ul style="list-style-type: none"> <li>Trade debtors relate to fees owed at year end by registrants. This year the debtor is at £235k and has increased by £47k on last year. There is a risk that material debtors may not be fully recoverable.</li> </ul>	<ul style="list-style-type: none"> <li>In responding to the assessed risk, we:                             <ul style="list-style-type: none"> <li>Traced a sample of fee income debtors to bank receipts post year-end</li> <li>Analytically reviewed the movement in trade debtors between 2013/14 and 2014/15</li> </ul> </li> </ul> <p><b>Findings and additional procedures</b></p> <p>We found that two registrants (with registrant fees due totalling £810) out of the statistical sample of 18 chosen for testing had not paid the fees due post year end. As most of the registrants pay their fees by monthly direct debit, the lack of payments indicated these were bad or doubtful debts. Upon further discussion, it was found that these two registrants were unlikely to continue with the payments due to personal circumstances (maternity leave/ill health), however no amount had been provided. We extended our work by performing the following procedures to ensure the we captured all material overdue debts which had not been provided for:</p> <ul style="list-style-type: none"> <li>We discussed with management the processes for collecting overdue fees and were satisfied that processes were in place to follow up unpaid fees regularly;</li> <li>We reviewed the bad debts written off during the year and noted that only six registrants had been struck off the register due to not paying fees in 2014/15. These bad debts totalled around £3,500 in the year, which was not material for audit purposes;</li> <li>We extrapolated the identified error to the remaining untested population to assess the potential overstatement of debtors and were satisfied that the extrapolated error was below the audit materiality for the year. We do not propose any adjustment regarding this. (Continue over the page)</li> </ul>

## Findings from reasonably possible risks identified (continued)

	Risks identified in our audit plan	Commentary
2.	<p><b>Trade debtors</b> <b>(Valuation net) (continued)</b></p>	<p><b>Conclusion</b></p> <p>We therefore conclude that fee income debtors are not materially overstated in the financial statements. A recommendation has been raised in the 'internal controls' section of this report in relation to bad debt reviews.</p>
3.	<p><b>Operating Expenses (completeness)</b></p> <ul style="list-style-type: none"> <li>There is a risk that costs are recognised in the incorrect period and that liabilities relating to the year could be missed in significant volumes, giving rise to a material impact on the reported results.</li> </ul>	<ul style="list-style-type: none"> <li>In responding to this assessed risk, we: <ul style="list-style-type: none"> <li>Reviewed payment activity around the year end to identify any unrecorded liabilities through looking at post year end bank payments and accounts payable nominal ledger entries.</li> <li>Reviewed all invoices posted since the start of April 2015 and verifying the treatment of these was correct.</li> <li>Performed substantive testing of creditors, accrual and prepayments.</li> <li>Performed an analytical review of expenditure balances against prior year and expectations to understand any significant or unexpected variances.</li> </ul> </li> </ul> <p>We noted there were two invoices totalling £6,210 which had been received post year end and had not been accrued for. This has been adjusted.</p> <p>We have not performed supplier statement testing as many of GOSC's suppliers are individual consultants or law firms who do not provide supplier statements. Therefore we have taken sufficient comfort from the procedures outlined above.</p> <p><b>Conclusion</b></p> <p>No other issues were noted from testing of overheads and creditors.</p>
4	<p><b>Registration deferred income (completeness)</b></p> <ul style="list-style-type: none"> <li>£726k of deferred income is held on the balance sheet in relation to fee income in advance. The risk is understatement due to incorrect or early recognition of income.</li> </ul>	<ul style="list-style-type: none"> <li>In responding to this assessed risk, we obtained management's calculation of deferred income, agreeing inputs to the CRM database and recalculating the deferral over 12 months of the year</li> </ul> <p><b>Conclusion</b></p> <p>No issues have arisen from our testing of the deferred registration fee.</p>

## Other findings identified during the course of our audit

	Other Audit Findings	Commentary
1.	<p><b>Treatment of National Council for Osteopathic Research</b></p> <p>Further to our discussions from previous years, there have been no changes in the structure of the agreement that would affect the appropriateness of recognising NCOR as a JANE within the GOsC financial statements.</p> <p>We noted that the net level of contributions in the current year are £26k compared to £22k in the prior year.</p> <p>A management representation has been again included in the Letter of Representation to confirm that there were no cash balances or other assets held by GOSC on NCOR's behalf.</p>	<p>We confirm that we have not identified anything which would suggest that NCOR should not be recognised as a JANE.</p> <p><b>Management comment</b></p> <p>We note and agree with the audit finding.</p>
2	<p><b>Depreciation of Land and Buildings</b></p> <p>As noted in the prior year freehold land has not been separated from the cost of the building for the purposes of calculating depreciation.</p> <p>Financial Reporting Standard 15 'Tangible Fixed Assets' takes the view that land has an unlimited life and therefore depreciation is not necessary. The in year effect is unlikely to be material but no detailed split is currently available.</p>	<p>Had the policy of not depreciating freehold land been adopted, the net book value of the freehold land and building would be higher than it is currently. As the value of the land at cost is not known, no adjustment has been proposed. However, we continue to draw this to your attention that the current policy is not strictly in accordance with the UK GAAP.</p> <p><b>Management comment</b></p> <p>We note and agree with the audit finding.</p>





## Other communication requirements

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit and Risk Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>Our standard audit representations will be requested from the Council and will include a comment on the NCOR arrangement.</li> </ul>
5.	<b>Accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the accounting policies adopted by GOsC. Except for the depreciation of freehold land as discussed in the previous section of this report, we have not noted any accounting policy which does not comply with the relevant financial reporting framework.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our reviews have not identified any significant deficiencies in relation to the disclosures made within the financial statements.</li> </ul>
7.	<b>Going Concern</b>	<ul style="list-style-type: none"> <li>Going concern is a fundamental accounting concept that underpins the preparation of financial statements. Under the going concern concept, it is assumed that an entity will continue in operation and that there is neither the intention nor the need to liquidate the business or to cease trading. From our work performed to date we have noted no issues in relation to management's assessment of the GOsC as a going concern.</li> </ul>

# Internal controls



- The purpose of an audit is to express an opinion on the financial statements.
- Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control
- The matters being reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with ISA 265
- If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported

	Assessment	Issue and risk	Recommendations
1.		<p><b>Journals segregation of duties</b></p> <p>We note that only the Head of Registration and Resources (HRR) processes journal entries and these are reviewed by the Chief Executive. In previous years it was noted that due to the small finance team this level of control was appropriate. However in the current year additional segregation of duties is possible due to the merger of the registration and finance teams.</p>	<p>We recommend that the Administrator is provided with training to process routine journal entries which are then reviewed by the HRR. Other non-routine journals can continue to be posted by the HRR, which are then reviewed and approved by the Chief Executive.</p> <p><b>Management comment</b></p> <p>We note and agree with the audit finding.</p>
2.		<p><b>Debtors collection</b></p> <p>As discussed in the Audit Findings section of this report, we noted that there is no policy to provide for bad and doubtful debts for management and annual accounts purposes. The risk is that trade debtors are overstated in management and financial information.</p>	<p>We recommend that GOsC adopts a debt provision policy, for example, that debts over six months old are provided as doubtful debts, and debts over a year old are written off. Trade debtors and the provisions should be reviewed at least every quarter to ensure management accounts provide accurate financial results for management and the Council's considerations. A year-end review should also be undertaken for the annual accounts.</p> <p><b>Management comment</b></p> <p>We note and agree with the audit finding.</p>




**Assessment**

- Material weakness – risk of material misstatement
- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement


## Internal controls (continued)

	Assessment	Issue and risk	Recommendations
3.		<p><b>Opening reserves</b></p> <p>We noted that the opening reserves on the accounts system did not agree fully to the prior year signed accounts with a difference of £11k. The discrepancy arose due to the audit adjustment identified in the 2013/14 audit which audit committee requested be processed. The opening reserves were correctly stated in the annual accounts but was not corrected in the accounting system. Potentially, expenditure for the year had been overstated in the management accounts during the year.</p>	<p>We recommend that the accounting system is updated post signing to reflect any audit adjustments made to the accounts.</p> <p><b>Management comment</b></p> <p>While we recognise and accept the point we are comfortable that the management accounts did not have overstated expenditure in the year.</p>
4.		<p><b>Unrecorded liabilities</b></p> <p>As discussed in the previous section of the report, we noted that the cut-off of expenditure had not been accurately applied for the preparation of the annual accounts. This led to expenditure in the financial statements not being fully recorded in the draft accounts.</p>	<p>We recommend that as part of the preparation of annual accounts, invoices dated post year end are reviewed to identify those relating to expenditure incurred in the year and record these as accruals in the financial statements.</p> <p><b>Management comment</b></p> <p>We note and accept the audit finding that the two invoices were overlooked during the audit preparation.</p>

**Assessment**

-  Material weakness – risk of material misstatement
-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

## Prior year internal control points

	Assessment	Issue and risk
1.		<p><b>Advertising income reconciliation</b></p> <p>In 2014 we noted GOsC's advertising income had grown from £21k to £34k. We identified that although a third party collects and provides the income to the GOsC, there is no formal process to evidence that advertising income is checked for completeness on a timely basis (i.e. checked to ensure that the third party is declaring all amounts).</p> <p>This year we noted from testing that on a monthly basis advertising income is reconciled to physical adverts appearing in magazines to ensure all adverts published have a portion of income attributable to them. In addition we performed standard audit testing and noted no issues around advertising income.</p>

# Misstatements

In the course of the audit we identified an immaterial misstatement below, which has been adjusted in the accounts. No items remain unadjusted.

Journal reference	Detail	Income and expenditure account		Balance sheet		Effect on deficit £
		Debit £	Credit £	Debit £	Credit £	
	<b>Deficit per final accounts</b>					<b>(182,505)</b>
1	Expenses	6,210	-	-	-	(6,210)
	Accruals	-	-	-	6,210	-
	<b>Being unrecorded liabilities at the year end.</b>					
	<b>Potential deficit</b>					<b>(188,715)</b>

We will highlight any disclosure omissions on completion of our review of the financial statements.

## Fees, Non-audit services and independence

### Fees

	2015	2014
	£	£
Statutory Audit	16,800	16,500

Ethical standards and ISA UK 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and teams within the Grant Thornton International network providing services to General Osteopathic Council. The table summarises all non audit services which were identified

# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the Council's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to Going Concern		✓

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

### Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the Council members and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance

### Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISA's (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



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