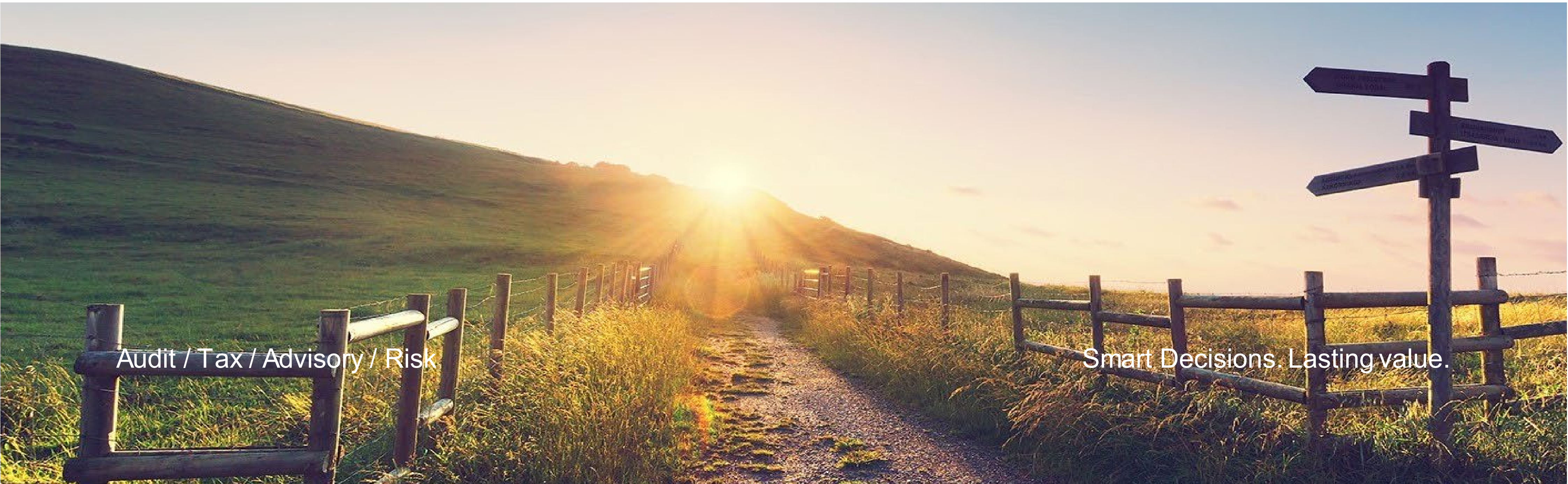
General Osteopathic Council

Year ended 31 March 2021

Audit Findings Report



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

16 June 2021

Dear Committee Members

Audit for the year ended 31 March 2021

Following the completion of our audit fieldwork on the financial statements of the General Osteopathic Council ("GOsC") for the year ended 31 March 2021 we have pleasure in submitting our Audit Findings Report setting out the significant matters which have come to our attention during our audit of which we believe you need to be aware when considering the financial statements. The matters included in this report have been discussed with the GOsC's management during our audit and at our closing meeting on 8 June 2021. Matthew Redford, Ben Chambers and Maxine Supersaud have seen a draft of this report and we have incorporated their comments and/or proposed actions where relevant.

The Covid-19 virus outbreak continues to have an impact on the GOsC's reporting this year and we have commented specifically on this in the report. Tim Redwood will be attending your meeting on 24 June 2021 and will be pleased to provide any further information or clarification on this or any other matters which you may require.

The final audit fieldwork was conducted remotely using a secure cloud-based document sharing facility, Skype and Teams, this allowed the process to continue efficiently. We were able to obtain all the information we needed to complete our work remotely. All information was provided to us promptly and was supported by clear explanations to which we would like to express our appreciation for the assistance provided to us by the finance team and the other staff at the GOsC during this year's audit.

Use of this report

This report has been provided to the Audit Committee to consider and ratify on behalf of the Council, in line with your governance structure. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Yours sincerely

Crowe U.K. LLP

Contents

1. Audit overview

Audit scope and approach

Our audit work has been undertaken for the purposes of forming our audit opinion on the financial statements of the GOsC prepared by management with the oversight of the Council (who are also trustees of the GOsC) and has been carried out in accordance with International Standards on Auditing (UK) ('ISAs').

Our work combined substantive procedures (involving the direct verification of transactions and balances on a test basis and including obtaining confirmations from third parties where we considered this to be necessary) with a review of certain of your financial systems and controls where we considered that these were relevant to our audit.

We have commented below on matters that need to be finalised before we complete our audit and also later in this report on our approach to the key audit risks. Subject to the satisfactory completion of the outstanding matters, we believe that we will have obtained sufficient audit evidence and that there have not been any restrictions or limitations on our audit.

Communicating significant findings from our audit

We are required by ISAs to communicate with the Council as "those charged with governance" various matters from our audit including:

- our views about significant qualitative aspects of the charity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures,
- significant difficulties, if any, encountered during the audit,
- any significant matters arising during the audit and written representations we are requesting,
- circumstances that affect the form and content of our auditor's report, if any, and
- any other significant matters arising during the audit that, in our professional judgment, are relevant to the oversight of the financial reporting process.

We have included comments in relation to the above where relevant in the subsequent sections of this report.

We also report to you any significant deficiencies in internal control identified during our audit which, in our professional judgment, are of sufficient importance to merit your attention. We have reported a number of matters relating to the charity's systems and controls in Appendix 1.

You should note that our evaluation of the systems of control at the GOsC was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of systems and processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

Audit completion

We have substantially completed our audit in accordance with our Audit Planning Report which was sent to you and the senior management team on 11th February 2021, subject to the matters set out below.

- Completion of the going concern and post-Balance Sheet events reviews
- Review of the final financial statements
- Receipt of the signed letter of representation

We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of the outstanding matters. On satisfactory completion of the outstanding matters, we anticipate issuing an unmodified audit opinion on the truth and fairness of the financial statements.

Materiality and identified misstatements

As we explained in our Audit Planning Report, we do not seek to certify that the financial statements are 100% correct; rather we use the concept of "materiality" to plan our sample sizes and also to decide whether any errors or misstatements discovered during the audit (by you or us) require adjustment. The assessment of materiality is a matter of professional judgement but overall a matter is material if its omission or misstatement would reasonably influence the economic decisions of a user of the financial statements.

The audit materiality for the financial statements set as part of our audit planning took account of the level of activity of the GOsC and was set at approximately 2% of income. We have reviewed this level of materiality based on the draft financial statements for year ended 31 March 2021 and are satisfied that it continues to be appropriate with 2% of income being £60,000.

We also report to you any unadjusted individual errors other than where we consider the amounts to be trivial, and for this purpose we have determined trivial to be approximately 5% of our audit materiality.

We are pleased to report that there are no remaining unadjusted items identified from our audit in excess of the above trivial limit.

Ethical Standard

We are required by the Ethical Standard for auditors issued by the Financial Reporting Council ('FRC') to inform you of all significant facts and matters that may bear upon the integrity, objectivity and independence of our firm.

Crowe U.K. LLP has procedures in place to ensure that its partners and professional staff comply with both the relevant Ethical Standard for auditors and the Code of Ethics adopted by The Institute of Chartered Accountants in England and Wales.

As explained in our audit planning report, in our professional judgement there are no relationships between Crowe U.K. LLP and the GOsC or other matters that would compromise the integrity, objectivity and independence of our firm or of the audit partner and audit staff. We are not aware of any further developments which should be brought to your attention.

Legal and regulatory disclosure requirements

In undertaking our audit work we considered compliance with the following legal and regulatory disclosure requirements, where relevant.

- Charities Act 2011
- The Charities (Accounts and Reports) Regulations 2008 (or updated Regulations if enacted before completion of the financial statements)
- Financial Reporting Standard 102 (FRS 102)
- The Charities SORP (FRS102) (effective 1 January 2015)

Financial statements

The Council of the GOsC are responsible for the preparation of the financial statements on a going concern basis (unless this basis is inappropriate). The Council are also responsible for ensuring that the financial statements give a true and fair view, that the process your management go through to arrive at the necessary estimates or judgements is appropriate, and that any disclosure on going concern is clear, balanced and proportionate.

2. Significant matters from our audit

We reported in our Audit Planning Report a number of areas we identified as having specific audit risk including the potential risk from management override of controls which auditing standards deem to be a significant risk for all audits. We have commented below on the results of our work in these areas as well as on any key additional risks, judgements or other matters in relation to the financial statements of the GOsC identified during our audit.

2.1 Recognition of Registration Fees

Registration fees totalled £2.89m in the 2021 a slight increase on prior year (2020: £2.89m). The GOsC does not have a fixed renewal date for all registrants and instead (as required by the Osteopaths Act) a registrants' registration period commences on the date that their name was entered onto the register. As the GOsC's registration fee covers a 12 month period it is necessary to pro rate each registration fee in order to recognise the correct proportion in each financial year.

We understand that whilst a registrant's fee is calculated to cover the correct portion of each financial year, fees are deferred on a monthly basis. This means that whether a registrant joined the register on the 2nd or 28th of a month, they have the same month of renewal and the amount of fees deferred is the same for both individuals. As registrants joining dates will be evenly distributed through any month, income recognition is considered to be correct when all registrants are taken into consideration.

As part of our audit testing we:

- Documented our understanding of registration fees including how they are received and how it is ensured that all fees are recorded and appropriately recognised.
- Developed expectations over the level of fee income based upon information obtained external to finance. This took into consideration the number of individuals on the register at each level and published registration fee.
- Substantively tested a sample of fee income, ensuring that it was recorded in line with the individual's registration date and at the correct level.
- Re-performed the deferred income calculation and substantively tested a sample of deferred income, ensuring that it was correctly calculated based upon the month of the individual's registration.

During our audit we identified one individual that was not charged at the correct fee. We understand that this may have arisen as a result of a change in category of registration fee during the year. Management have reviewed this error and have concluded that this has arisen as a result of an individual changing their status from non-practicing to practicing during the year, and so the increase in fees was not identified. An exercise has been performed where by reports of all individuals with the same status changes throughout the year have been identified, and the total potential error has been calculated. Given the low number of status changes (16 on average over 5 years), and the low value of potential error (£2,950 on average over 5 years), this matter has not raised significant concern around our work.

We have included a control point in Appendix 1 in respect of this point and have no further issues to report.

2.2 Board and Committee allowances and expenses

Council members and individuals sitting on each of the GOsC's committees receive remuneration including honorariums and allowances as well as reimbursed expenses for travel and subsistence. Payments of this kind represent a significant expense for the GOsC, though there has been a notable decrease in travel and subsistence expense claims in the year due to members travelling less and meeting remotely.

As part of our work we selected a sample of payments made to members of the Council and Committees and traced the amount to supporting documentation, ensuring that they had been authorised appropriately. All expenses claimed by members have an authorisation sheet attached which must be authorised by a head of department prior to any payments being made. For attendance allowances paid, we ensured that the amounts paid were at the correct rate and for the appropriate number of days. These payments follow the same authorisation process as those for expenses.

We were satisfied with the results of our work in this area.

2.3 Payroll

Payroll is the largest single expenditure item for the GOsC at £1.43m for the year ended 31 March 2021 (2020: £1.44m).

Our approach to this testing was based on analytical procedures, which considered gross pay, deductions and staff numbers to ensure that all trends and relationships appeared reasonable and that the totals agreed with the ledger.

As part of our detailed testing, we also selected a sample of employees and agreed their pay per the payroll reports to supporting documentation, in order to confirm that they were being paid at authorised levels. This testing was satisfactory and no issues were noted. We also recalculated PAYE and NIC deductions for a sample of individuals ensuring that the amounts deducted from their pay were in line with our expectations.

We confirmed that a sample of starters / leavers had been correctly added or removed from payroll in the correct month, in line with supporting documentation. We also agreed all monthly payroll reports to the total payroll expense recorded in the accounts with no issues noted. We agreed the disclosures recorded in the financial statements to payroll records.

Our testing in this area was satisfactory.

2.4 Investments

The GOsC holds investments in a diversified portfolio which was valued at £1.23m at the 31 March 2021 (2020: £1.01m). As part of our work on investments, we agreed the valuation included in the financial statements to reports received directly from the investment managers Brewin Dolphin. We also reviewed the AAF internal controls report for any deficiencies reported.

We noted that originally the GOsC has accounted for movements in the investment portfolio incorrectly, by recording all reinvested dividends as investment income in the year. This resulted in the overstatement of income, as well as an incorrect balance in the valuation at year end. Following discussions with management, these errors have all been corrected in the final accounts, with both valuation and investment income reflecting those reported by the investment managers.

2.5 Completeness of liabilities in respect of Professional Conduct Committee cases

The GOsC's activities include investigating and acting where concerns have been raised in respect of osteopaths. Legal costs are incurred by the GOsC as solicitors provide information to support decision making in respect of PCC cases.

As part of our audit we reviewed invoices received from solicitors around the year end, to ensure that they were appropriately included within the correct period. All legal costs reviewed were recorded in the correct year.

In addition to the completeness and cut off of solicitor fees, there is a risk around a need to pay legal costs or compensation in respect of the registrant, should a case be appealed.

Under FRS 102 section 21: Provisions and contingencies, a liability / provision should be recognised at year end where:

a) GOsC has an obligation at the reporting date, as result of a past event; and

b) Its it probable (i.e. more likely than not) that GOsC will be required to transfer economic benefits in settlement; and

c) The amount of the obligation can be estimated reliably.

Following our review of minutes, legal expenditure and our discussions with management in the year, we were made aware of one legal case where there was a potential liability. Originally a provision of £100k was recorded in the financial statements in respect of this case, the £100k represented £50k of each of the GOsC's and other party's legal costs.

We discussed with management that the GOSC's legal costs should only be provided for to the extent legal services had been provided to 31 March 2021. As all legal services in the year to 31 March 2021 were already accrued, this element of the provision was released.

In terms of the other legal party's costs, again these should only be accrued to the extent that the GOsC can make a reasonable estimate of those costs and it is considered likely that the GOsC will need to meet them. If it is only considered possible that the GOsC would need to meet those costs then they a contingent liability may need to be disclosed. The Council should also consider the materiality of the amounts involved. We discussed this with management and understand that given the stage of the case at 31 March 2021 and the costs incurred by the GOSC, it is considered unlikely that there would be an amount approaching material accrued by the other party at this stage. As a result this element of the provision has also been released and a contingent liability has not been disclosed.

No further issues were identified in respect of legal liabilities.

2.6 Provisions

During the audit we discussed the outcome of a recent case involving the Nursing and Midwifery Council (the NMC) and the NMC's fitness to practice panel members. The cases (which may be subject to appeal) found that the individual panel members were workers with the result of there being a potential liability in respect of holiday pay.

We discussed the case with management who concluded that this case did potentially set a precedent with respect to members of the GOsC's Professional Conduct Committee. A liability was considered more likely than not, so as a result a provision of £65.5k has been added to the accounts. The provision is based on amounts paid to PCC members over the past six years multiplied by 12% (approximating holiday entitlement). It is important the Council are satisfied with the basis adopted for the provision and we have included a representation to this effect in Appendix 2.

2.7 Other expenditure

As indicated in our Audit Planning Report, we selected a sample of other expenditure items in the period and traced these through to supporting invoices and ensured they had been appropriately approved in line with internal procedures.

We have no issues to report in this regard.

2.8 Other balance sheet items

We also performed our usual testing on other balance sheet items. We performed a land registry search and agreed title ownership for Osteopathy House and agreed year end cash balances through to third party bank confirmations.

We performed testing of year end debtors and have no issues to report in this regard.

We also performed our usual testing of deferred income balances and in doing so it was identified from discussions with management that the deferred income calculation prepared at year end did not include newly qualified registrants. Once included, this led to an increase in deferred income and corresponding decrease in registrant fee income of £37,653. This has been discussed with, agreed and adjusted for by management.

Our testing of the year end pension liability owing in respect of payroll for March 2021 identified a duplicate of employee pension contributions to the amount of £4,160. This has also been discussed with and adjusted by management.

2.9 Management override of controls

Auditing standards require us to consider as a significant audit risk areas of potential or actual management override of controls. In completing our audit we have therefore considered the following matters.

Significant accounting estimates and judgements

A revised auditing standard, ISA (UK) 540 (Revised) Auditing Accounting Estimates and Related Disclosures, effective for accounting periods commencing on or after 15 December 2019, is applicable for the current year, and required additional audit focus over management's estimates, including undertaking separate risk assessments for both inherent and control risks. In respect of the former, consideration is given to the estimation uncertainty, the subjectivity and the complexity of the estimate. We are also required to consider whether the disclosures made in the financial statements are reasonable.

Management have made a number of necessary significant accounting estimates and judgements which impact the financial statements. We did not identify any estimates or judgements we considered significant.

Controls around journal entries and the financial reporting process

We reviewed and carried out sample testing on the charity's controls around the processing of journal adjustments (how journals are initiated, authorised and processed) and the preparation of the annual financial statements. We also considered the risk of potential manipulation by journal entry to mask fraud.

We identified one instance of management override of controls whereby a journal posted by the Chief Executive & Registrar had not been separately reviewed and authorised. Please see Appendix 1 for further detail of this control issue.

However we noted no other instances of management override of controls or issues around the posting and authorisation of journals, or other issues from our sample testing of the GOsC journals.

Significant transactions outside the normal course of business

We are required to consider the impact on the financial statements if there are any significant transactions occurring outside of the normal course of the charity's business.

No such transactions were notified to us by management, nor did any such transactions come to our attention during the course of our work.

2.10 Going concern

We explained in our Audit Planning Report that in preparing the financial statements to comply with Financial Reporting Standard 102 the Council and management are required to make an assessment of the charity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, the Council and management are required to consider all available information about the future of the charity in the period of at least, but not limited to, twelve months from the date when the financial statements are approved and authorised for issue.

The Council's going concern assessment is a key area of emphasis and importance for our audit and, in accordance with the requirements of ISAs (UK), our audit report includes a specific reference to going concern.

The impact of the Covid-19 outbreak will require all entities, including charities, to reassess their financial position and their ability to continue to operate as a going concern. This may require considering a number of factors including updating the charity's budgets and forecasts. Where the Council identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed in the financial statements.

The Council may consider and take account of realistic mitigating responses open to them, considering the likely success of any response.

We have discussed this with the GOsC management and explained that our work on going concern includes the following:

- reviewing the period used by Council to assess the ability of the GOsC to continue as a going concern,
- examining budgets and forecasts prepared by management covering the period of the going concern assessment which adequately take account of the potential impacts of Covid-19 on the charity to ensure that these appropriately support the Council's conclusion,
- reviewing the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year, and
- reviewed any other information or documentation which the Council have used in their going concern assessment.

Key considerations are around reserves, liquidity and resilience.

We understand that management are preparing a detailed paper setting out their assessment of the GOsC's ability to continue as a going concern for consideration alongside the draft financial statements by the Audit Committee. This will include a summary of the preliminary actions surrounding the outbreak of Covid-19. We will review this assessment alongside the detailed budgets and forecasts as part of our audit finalisation. We will be seeking representations that the Board has considered the forecasts and is satisfied that the going concern basis is appropriate.

3. Fraud and irregularities and our audit reporting

As noted in our audit planning report, there has been an update to ISA (UK) 700 for accounting periods beginning on or after 15 December 2019, requiring the audit report to include an additional comment to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities are acts of omission or commission which are contrary to the prevailing laws or regulations. Fraud includes both fraudulent financial reporting and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of both irregularities and fraud rests with the Council and management of the organisation. It is important that management, with oversight of those charged with governance, place a strong emphasis on fraud prevention and fraud deterrence. This involves a commitment to creating a culture of honest and ethical behaviours which can be reinforced by an active oversight by those charged with governance.

Our responsibility under ISAs (UK) is to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The addition this year to our reporting requirements placed increased emphasis on our understanding of the risks to the GOsC from fraud and irregularities and our audit included discussions with management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement, as well as other procedures to obtain sufficient appropriate audit evidence.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected even though the audit is properly planned and performed in accordance with the ISAs (UK).

The GOsC has systems in place for review and authorisation of expenditure and journals by management, including dual authorisation and segregation of duties between those posting transactions and those approving payments.

We obtained an understanding of the legal and regulatory frameworks within which the charity and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity’s ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation and health and safety legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

In our Audit Planning Report, we explained that the responsibility for safeguarding the assets and for the prevention and detection of error and irregularities, including fraud and non-compliance with law or regulations rests with the Council of the GOsC.

In accordance with International Auditing Standards, we planned our audit so that we have a reasonable expectation of detecting material misstatements in the financial statements or accounting records (including any material misstatements resulting from fraud, error or non-compliance with law or regulations).

However, no internal control structure, no matter how effective, can eliminate the possibility that errors or irregularities may occur and remain undetected. In addition, because we use selective testing in our audit, we cannot guarantee that errors or irregularities, if present, will be detected. Accordingly, our audit should not be relied upon to disclose all such misstatements or frauds, errors or instances of non-compliance as may exist.

As part of our audit procedures we made enquiries of management to obtain their assessment of the risk that fraud may cause a significant account balance to contain a material misstatement. Usually fraud in the charity sector is not carried out by falsifying the financial statements. Falsifying statutory financial statements usually provides little financial benefit, as compared to say a plc where showing a higher profit could lead to artificial share prices or unearned bonuses. However, falsifying financial statements can be used to permit a fraud or to avoid detection. As a generality, charities represented by its management and the Council do not actively try to falsify financial statements as there are not the same incentives to do so. In the charity world fraud is usually carried out through misappropriation or theft.

We have reviewed and discussed the accounting and internal controls systems management has put in place to address these risks and to prevent and detect error. However, we emphasise that the Council, Audit Committee and management should ensure that these matters are considered and reviewed on a regular basis.

We have included the following statements in the letter of representation which we require from the Council when the financial statements are approved.

- The Council acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and errors.
- The Council have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.
- The Council are not aware of any fraud or suspected fraud affecting the charity involving management, those charged with governance or employees who have a significant role in internal control or who could have a material effect on the financial statements.
- The Council are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, affecting the charity's financial statements.

We draw your attention to bullet point 2 above which presupposes that an assessment has been made. We have not been made aware of any actual or potential frauds which could affect the 2021 financial statements, or in the period since the previous year end.

We emphasise that this section is provided to explain our approach to fraud and error, but the responsibility to make and consider your own assessment rests with yourselves.

The Council should be aware that the Charity Commission provides guidance (updated in October 2019) on how to protect your charity from fraud including information about fraud, how to spot it and what you can do to protect against it - https://www.gov.uk/guidance/protect-your-charity-from-fraud.

The Charity Commission's first guiding principle recognises that fraud will always happen. It is therefore important that, as part of setting their overall risk appetite, the Council consider fraud within their tolerance for the risks associated with the management of the organisation's (and group's) funds. The development and continued assurance of a robust counter fraud control framework should then contribute to the organisation matching the risk appetite and tolerance agreed by the Council.

We have shared with management our guidance and a framework on conducting fraud risk assessments. A fraud risk assessment is an objective review of the fraud risks facing an organisation to ensure they are fully identified and understood. This includes ensuring:

- fit for purpose counter fraud controls are in place to prevent and deter fraud and minimise opportunity, and
- action plans are in place to deliver an effective and proportionate response when suspected fraud occurs including the recovery of losses and lessons learnt.

Good practice suggests that to be most effective the risk assessment should be undertaken at a number of levels within the organisation:

- Organisational – to assess the key policy, awareness raising and behavioural (including leadership commitment) requirements that need to be in place to build organisational resilience to counter fraud.
- Operational – a detailed analysis of the fraud risk and counter fraud control framework at the operational level – by function (activity) or individual business unit (including programmes and projects).

Any fraud risk assessment should not be seen as a standalone exercise but rather an ongoing process that is refreshed on a regular basis. Carrying out the fraud risk assessment may reveal instances of actual or suspected fraud.

Should this happen next steps will be determined on circumstances, the existing control framework (including any response plan(s)), and in consultation with the key members of the organisation's management team.

Considering risks of fraud

There is evidence that during times of economic instability there is an increased risk of fraud. This may be because resource constraints can reduce internal controls and over sight and also because individuals facing hardship may be more likely to consider fraudulent practices.

The following provides further information on the three kinds of fraud that charities such as Council should consider.

a) Frauds of extraction

This is where funds or assets in possession of the charity are misappropriated. Such frauds can involve own staff, intermediaries or partner organisations since they require assets that are already in the possession of the entity being extracted fraudulently. This could be by false invoices, overcharging or making unauthorised grant payments.

Essentially such frauds are carried out due to weaknesses in physical controls over assets and system weaknesses in the purchases, creditors and payments cycle. The cycle can be evaluated by considering questions such as who authorises incurring a liability and making a payment. On what evidence? Who records liabilities and payments? Who pays them and who checks them?

The close monitoring of management accounts, ledger entries and strict budgetary controls are also generally seen as an effective way of detecting and deterring frauds in this area.

Staff should be made aware of the increasing use of mandate fraud. This is where when the fraudster gets the organisation to change a direct debit, standing order or bank transfer mandate by purporting to be a supplier or organisation to which the charity make regular payments.

Insufficient due diligence around requests to amend supplier or payroll details has led to payments to unauthorised individuals so sufficient checks in these areas is of increasing importance.

Some charities have also been victims of what is being termed CEO fraud, although it does not involve the CEO. In this case cyber criminals spoof company email accounts and impersonate executives to try and fool an employee in accounting or HR into executing unauthorised wire transfers or sending out confidential information.

This type of phishing scam is a sophisticated scam targeting businesses working with foreign suppliers and/or businesses that regularly perform wire transfer payments. The scam is carried out by compromising legitimate business e-mail accounts through social engineering or computer intrusion techniques to conduct unauthorised transfers of funds. Action Fraud, the UK's national fraud and cyber-crime reporting centre has reported an increase in fraud and scams relating to COVID-19, including a rise in phishing emails where the fraudster attempts to trick people into opening malicious attachments which could lead to fraudsters stealing people's personal information, email logins and passwords, and banking details.

Charities should therefore ensure that they reiterate their procedures to employees and raise awareness of fraud preventions across their organisations. All employees should exercise real scepticism and not make any payments which are not properly supported and outside the normal payment mechanisms. To paraphrase Action Fraud's recommendations, which are particularly significant as staff are working remotely and some working different hours in order to manage the challenges of working from home:

- Ensure all staff, not just finance teams, know about current frauds and scams.
- Have a system in place which allows staff to properly verify contact from their CEO or senior members of staff; for example having two points of contact so that the staff can check that the instruction which they have received from their CEO is legitimate.
- Always review financial transactions to check for inconsistencies/errors, such as a misspelt company name.
- Consider what information is publicly available about the business and whether it needs to be public.
- Ensure computer systems are secure and that antivirus software is up to date.

All employees should exercise real scepticism and not make any payments which are not properly supported and / or outside the normal payment mechanisms.

b) Backhanders and inducements

There is also an inherent risk that individuals who are able to authorise expenditure or influence the selection of suppliers can receive inducements to select one supplier over the other. This risk can be mitigated by robust supplier selection and tendering procedures.

c) Frauds of diversion

This is where income or other assets due to GoSC are diverted before they are entered into the accounting records or control data. Essentially, it is easy to check what is there but very difficult to establish that it is all there. Therefore, ensuring the completeness of income provided to a charity becomes difficult.

It is important to consider the different income streams and when and how they are received. So income received directly into the charity's bank account will be a lower risk than income being received by home based fundraisers.

4. Controls in remote working and into the new normal

As set out in our Audit Planning Report, the outbreak of Covid-19 caused significant disruption to most organisations, with charities being no exception. As auditors, we are required to consider the changes to the control environment insofar as this impacted on the key controls over significant audit risk areas or where the changes created new significant risks of material misstatement in the financial statements.

As part of our audit we have gained an understanding of how the GOsC's control environment has changed over time and considered the impacts of those changes. This was considered over three distinct phases:

1. Transition to a remote environment at pace;
2. Operating in a remote environment; and
3. Establishing business as usual in the new normal.

Two of these involved looking back at what has been done and the last is forward looking and about understanding what the control environment can and should look like in the months and years ahead.

With this framework in mind we asked management to provide us with details of how systems and controls have developed as a result of the move to remote working across the following areas:

- Segregation of duties
- Authorisation and approval
- Controls over standing data
- Data access and sharing
- Physical controls
- Board monitoring
- Financial monitoring
- Disaster recovery and insurance
- Risk management
- Working with local office and partners

We reviewed the assessment performed by management and revisited our notes on the charity's systems and processes relevant to the audit, including performing walkthroughs on processes and controls over significant audit risk areas.

Management identified minimal changes to the established control processes. The reason for this being that the control procedures and processes in place prior to remote working were already designed and implemented in a way that facilitated remote working. Key controls such as the review of bank reconciliations, or the review and approval of the monthly process were all performed via soft copy signatures and/or email approvals.

Despite this we did however note two instances of control weaknesses which have been commented on within section 2 of this report above. These findings have also been included in Appendix 1 of this report.

Many organisations continue to adapt to the new working environment, and further adaptation will be needed as we move back to a more mixed environment, combining remote and in person working. We recommend structured reporting of changes of operational controls to Council and the Audit Committee to allow appropriate oversight of the control environment, and that this is considered alongside the organisational risk register to ensure consistency.

Appendix 1 - Systems and controls issues

We have set out below certain potential improvements to the charity's processes and controls which we noted during our audit work and which we believe merit being reported to you.

Our evaluation of the systems of control at the GOsC was carried out for the purposes of our audit and accordingly it is not intended to be a comprehensive review of your business processes. It would not necessarily reveal all weaknesses in accounting practice or internal controls which a special investigation might highlight, nor irregularities or errors not material in relation to the financial statements.

In order to provide you with a clearer picture of the significance of issues raised, we have graded the issues raised by significance/priority before any corrective actions are taken:

High	These findings are significant and require urgent action.	
Medium	These findings are of a less urgent nature, but still require reasonably prompt action.	
Low	These findings merit attention within an agreed timescale.	

Audit finding and recommendation	Priority	Management response
1. Authorisation of journals We identified one journal posted in the year by the Chief Executive & Registrar (CE&R). This was a routine journal within expectations. However, the control process in place for the review of journals is a quarterly review performed by the CE&R. Therefore there was no segregation of duty over the posting and review of this journal. We understand that this will not be necessary going forward now there is a new Head of Resources & Assurance in place. However, we recommend that the CE&R should not post journals to ensure that there is proper segregation of duties.		We accept the error, which occurred during the handover period, and was systematic of the following: • innovative actions taken to manage the immediate shift to ensure the charity remained a going concern • swift system changes to support remote working Adequate processes are now in place following the transition period, and no further exceptions are anticipated going forward.

Audit finding and recommendation	Priority	Management response
2. Registrant fees Following completion of our income testing, we identified one instance whereby a Year 3+ registrant had been charged an incorrect fee for the year. This was the only instance identified, however there is a risk that registrant fees charged could lead to fee income being under/over-stated in error. We recommend that all renewal fees charged are reviewed against the registrant's status prior to issue to ensure all fees charged are accurate.		We identified that this error was only likely to occur when an individual changes their status from non-practising to practising, having not been out of clinical contact for three months or more, and not paying by direct debit. In such cases an additional £250 would be due in registration fees, one of which was identified in audit sample as not having been captured. To quantify the error, we ran a query through Integra, auditing the last five years, which showed potential additional fees in each year of between £2,000 and £4,000. Having taken the auditor's notes on board, we have implemented process improvements to ensure that we are able to identify when non-practising registrants have changed their status, by incorporating an additional activity in the ERM system

Appendix 2 - Draft representation letter

This letter must be typed on your official letterhead. It should be considered by the Council at the same time as the Annual Report and Financial Statements and the Minutes should record the Council's approval of the letter.

The letter should be dated at the date of the approval of the financial statements.

Crowe U.K. LLP
55 Ludgate Hill
London
EC4Y 8EH

Dear Sirs

We provide this letter in connection with your audit of the financial statements of the General Osteopathic Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the charity as at 31 March 2021 and of the results of its operations for the year then ended in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

We confirm that the following representations are made on the basis of sufficient enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation and that, to the best of our knowledge and belief, we can properly make each of these representations to you. If completion of the audit is delayed we authorise Matthew Redford to provide an update to all representations sought.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with UK GAAP.

2. We acknowledge as Council our responsibility for making accurate representations to you.

3. We acknowledge our responsibility for the design and implementation of internal control to prevent and detect fraud and errors.

4. We have provided you with all accounting records and relevant information, and granted you unrestricted access to persons within the entity, for the purposes of your audit.

5. All the transactions undertaken by the charity have been properly reflected and recorded in the accounting records or other information provided to you.

6. In respect of accounting estimates and judgements, including the provision in respect of Professional Conduct Committee members we confirm our belief that the significant assumptions used are reasonable.

7. We are not aware of any actual or possible litigation or claims against the charity whose effects should be considered when preparing the financial statements.

8. All incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.

9. We are not aware of any breaches of our charitable trusts and have advised you of the existence of all endowments and funds maintained by us.

10. There have been no events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly. We specifically authorise Matthew Redford, Chief Executive and Registrar, to provide an update for you to cover the time period between the signing of this letter and the date of your audit report.

11. We have assessed that there is no significant risk that the financial statements are materially misstated as a result of fraud.

12. We are not aware of any fraud or suspected fraud affecting the charity involving those charged with governance, management or other employees who have a significant role in internal control or who could have a material effect on the financial statements.

13. We are not aware of any allegations by employees, former employees, regulators or others of fraud, or suspected fraud, which would have an impact on the charity's financial statements.

14. We are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the charity conducts its business.

15. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties.

16. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with applicable accounting standards and with the recommendations of the applicable charity SORP.

17. We confirm that, having considered our expectations and intentions for the next twelve months and the availability of working capital, the charity is a going concern. We are unaware of any events, conditions, or related business risks beyond the period of assessment that may cast significant doubt on the charity's ability to continue as a going concern.

Yours faithfully

……………………………….………….
Council Member
Signed on behalf of the Council

Date ……………….…….…….…….…..

Appendix 3 - External developments

We have summarised below some of the developments and changes in the charity sector over the recent period which we believe may be of interest and relevant to you. Please note that this information is provided as a summary only and that you should seek further advice if you believe that you have any specific related issues or intend to take or not take action based on any of the comments below.

We issue a regular technical briefing for charities by email. If you would like to receive this please email your details to nonprofits@crowecw.co.uk . Alternatively, these briefings are available in the resource library on our website.

Governance

Charity Commission new "5-minute guides"

The Charity Commission in November 2020 launched a new set of simple, easy to understand guides to help trustees to access the information they need.

The Commission stresses that whilst the guides may be basic, they are designed to serve the needs of experienced trustees as well as those new to the role. It says that years of experience cannot immunise even the very best trustees from running into questions or problems.

Helen Stephenson CBE, Chief Executive of the Charity Commission, commented "*Our 5-minute guides are designed with real trustees and real situations in mind. They recognise that good governance is not a bureaucratic detail – it underpins the delivery of a charity's purposes to the high standards expected by the public – and is all the more important in the midst of this pandemic which is impacting civil society so heavily. I hope trustees, both new and experienced, read and use them to help them fulfil their charity's purpose for the public benefit.*"

The guides explain the basics of:

- financial oversight
- achieving a charity's purposes
- good decision making
- addressing conflicts of interest
- what to file with the Commission and what support is available

and can be found on the gov.uk website https://www.gov.uk/guidance/charity-commission-guidance#minute-guides-for-charity-trustees

Coronavirus (COVID-19) guidance for the charity sector

The Charity Commission has published its responses to the most commonly asked questions about running charities during the COVID-19 outbreak and have provided links to various guidance, both from the Commission and other sources. The initial guidance issued in April has been regularly updated with the latest update being published in November 2020.

The Commission recognises that charities will be concerned about what to do during the coronavirus (COVID-19) outbreak and have sought to assure charities that their approach to regulation during this uncertain period will be as flexible and pragmatic as possible in the public interest.

They also note that trustees need to be aware of and think about the wider or longer impact of their decisions on their charity. The guidance is split into 16 key areas which include:

- Reporting serious incidents to the Charity Commission
- Using reserves and restricted funds
- Trading subsidiaries – financial support from parent charities
- Further advice on managing financial difficulties

The guidance can be found on the gov.uk website - https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-the-charity-sector#contents .

Charity Commission: "Regulating in the public interest"

For the Charity Commission increasing resilience in the charity sector means bringing the public interest to the fore. The Commission has set out to be more responsive and inclusive in the way it listens and responds to different parts of the public, including volunteers and charity supporters, up and down the country.

As part of this the Commission has over the past two years conducted several research studies among the public and charity trustees. In May 2020 the Commission, with Populus, published a report which draws together the main findings of that research to offer a better understanding of the public in whose interest the Charity Commission regulates, of the views of trustees and of the contemporary world in which everyone must operate.

The report recognises that, while there are distinct groups within public opinion based on different perspectives, certain expectations about charities transcend those differences, expectations which, because they are held by such large numbers of people across the population, are most important in defining the relationship between charities and public trust. These shared expectations are:

1. That a high proportion of charities' money is used for charitable activity
2. That charities are making the impact they promise to make
3. That the way they go about making that impact is consistent with the spirit of 'charity'
4. That all charities show a collective responsibility to each other in adhering to the above

The report looks at these expectations in more detail and also at how well charities are meeting the expectations. The report is available on the gov.uk website https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/891221/Regulating_in_the_public_interest_research_report.pdf

Going concern – what should Boards be considering

Trustees of charities, either as directors of incorporated charities or as Trustees of unincorporated charities, have a legal responsibility to ensure that the charity operates as a going concern and is able to meet its liabilities as they fall due. While this is a continuing responsibility, it is formalised each year in the preparation of the charity's annual report and financial statements.

Many charities will have experienced significant changes to their operating environment as a result of the COVID-19 pandemic and this will require Trustees to reassess their financial position and the ability of their charity to continue to operate as a going concern. This may require considering a number of factors, including updating the charity's budgets and forecasts, and should cover any changes up to the date of sign off of the financial statements. Where Trustees identify possible events or scenarios, other than those with a remote probability of occurring, that could lead to failure, then these should be disclosed in the financial statements.

The Charity Commission guidance "Managing financial difficulties & insolvency in charities" (CC12) stresses the importance for "a Trustee body to have a good knowledge and understanding of the charity and its finances so that, as far as possible, the continued viability of the charity and its charitable activities can be assured.". This is a theme that runs through the Charity Commission's updates and alerts including its guidance on whether charities can use reserves and restricted funds to help the charity through the crisis.

To assist Trustees to meet their responsibilities in relation to going concern, we have prepared a series of questions Trustees should be considering together with a checklist of the disclosure requirements. A copy of this checklist can be obtained here: https://www.crowe.com/uk/croweuk/insights/charities-going-concern

Fundraising Regulator COVID-19 - Fundraising key principles guidance

In response to the COVID-19 emergency the Fundraising Regulator has published, and subsequently updated, guidance which aims to support charities and other fundraising organisations to be able to return to fundraising activities in a responsible way.

The guidance sets out a framework to aid good decision making and ensure responsible fundraising. It is intended to supplement existing government guidance and highlights the key issues and areas that fundraising organisations need to consider as they plan their return to fundraising.

The guidance covers

- Getting back to fundraising – planning and risk assessments
- Safeguarding the public and fundraisers
- Enforcement
- Respectful interaction with the public

The guidance notes that it is the responsibility of individual organisations to apply the guidance in their fundraising activity so that the safety and wellbeing of fundraisers and the public are protected. Part of acting responsibly will also include fundraising organisations properly documenting their decisions, undertaking risk assessments, and being prepared to explain and justify these if necessary.

The full guidance can be seen on the Fundraising Regulator website Coronavirus (COVID-19): Fundraising key principles guidance | Fundraising Regulator .

Compliance

Reporting serious incidents to the Charity Commission

The Charity Commission has recently updated its guidance on Serious Incident Reporting, reflecting the extremely demanding and ever-changing challenges arising from the coronavirus pandemic.

The update guidance includes supplementary examples to aid Trustees in their decision making as to whether an incident that is related to the pandemic is reportable.

The guidance can be obtained from the Gov.uk website here - https://www.gov.uk/guidance/reporting-serious-incidents-to-the-charity-commission-during-the-coronavirus-pandemic

Online Register of Charities – new and improving

In September 2020 the Charity Commission launched a new version of the online register of charities to make more information about individual charities available at the click of a button.

Each charity's register entry will now display more clearly whether the charity has been subject to regulatory action or is of ongoing concern. And following changes to the annual return, charities' entries will now show how many staff members receive pay packages of £60,000 and above. It also notes where trustees are remunerated for their work, and lists the policies a charity has in place, from safeguarding to conflicts of interest and investments.

The new register display is also designed with the needs of charities in mind. Improved functionality makes it easier for Trustees to access and update their own charity's information with the Commission.

The Commission are encouraging the public, charities, and those with an interest in the sector, to use the new register and let the Commission know what is working and what could be improved. A feedback form has been provided so users can pass comment back to the Commission.

The register can be accessed on the government website https://register-of-charities.charitycommission.gov.uk/

UK charity sector's use of tracking technologies

A group of 38 academics and privacy campaigners have called on charities to remove advertising trackers from their most sensitive web pages.

In an open letter to the UK charity sector they have expressed their extreme concern with the UK charity sector's use of tracking technologies, specifically those belonging to data brokers and programmatic advertising platforms.

The letter refers to the report published by ProPrivacy in September 2020 highlighting the widespread use of programmatic advertising in the charity sector and the potential impact this could be having on the privacy of users of charity websites. The research found that many charity pages dealing with extremely sensitive issues such as mental health, debt, end-of-life care, and disability contained various trackers belonging to AdTech services, including data brokers.

The letter calls on top charities in the UK to conduct audits of their websites for third-party elements belonging to those in the AdTech space and to exclude them entirely from any support or advice pages dealing with sensitive topics.

Financial and other reporting

Consultation on Responsible Investment Guidance

The Charity Commission has issued draft revised guidance on responsible investment. This is to understand if the guidance will provide greater clarity about the discretion trustees have to make responsible investments, and reassure trustees that they can decide to adopt a responsible investment policy in most circumstances. The consultation questions seek to test the clarity of the new guidance and its treatment of responsible investment.

This follows a listening exercise undertaken by the regulator last year, which found that the way responsible investment is outlined in its current guidance is not giving some trustees sufficient confidence that they can consider, or that the Commission supports, this approach to investment.

The consultation closes on 20 May 2021 with the final updated responsible investments guidance expected this summer.

The consultation can be seen on the Charity Commission website - https://www.gov.uk/government/consultations/charity-responsible-investment-guidance

Coronavirus: financial reporting issues for Charities

It is difficult to predict the financial or operational implications of the outbreak of COVID-19 on the UK economy or the organisations which operate within it.

The measures put in place by the government to limit the spread of the virus have been changing on a regular basis. It is expected, at least in the shorter term, that the limiting of the movement of people by restricting flights and other travel, cancelling events, and closing venues, various business activities and schools will continue and may even increase.

The government has also implemented a number of business support schemes, including the staff furlough scheme (CJRS), some of which have been available to charities and / or their trading subsidiaries depending on their circumstances. This support continues to change as do the details of entitlement and how any claims will be settled. However, if a charity has been able to benefit from any of these support schemes Trustees will need to determine when and how any such benefit should be reported in the financial statements.

All of these developments and measures may have a broad range of implications for charities. How the impact on individual charities will depend on a number of factors including the charity's key sources of income, areas of charitable activity, staffing models, contractual relationships, the nature of the charity's assets and liabilities and the charity's underlying funds structure.

Charity Trustees will already be facing unexpected challenges to their charities and it will be important that these are reflected into the necessary decisions that have to be made when reporting on the charity's activities and financial position.

We have produced guidance which considers the potential impact of the COVID-19 (coronavirus) on the yet to be published annual reports and financial statements of charities.

The key areas of focus of the guidance are as follows, being mindful that charities are diverse in their activities and their income generation and therefore, there may be some areas of focus not specifically addressed.

- Income recognition, including the recognition of government support grants
- Commitments and liabilities.
- Asset values.
- Going concern.
- Other financial statement disclosures.
- Trustees' annual report.
- Government support.

Management and Trustees will need to carefully consider the impact of coronavirus on the charity's report and financial statements to ensure that these continue to reflect the financial activities and position of the charity in accordance with the Charities SORP.

The full report can be found on our website - https://www.crowe.com/uk/croweuk/insights/covid-19-financial-reporting-charities.

Taxation

New HMRC guidance on claiming Gift Aid on Waived Refunds and Loan Repayments

HMRC has issued guidance confirming that Gift Aid can be claimed on Waived Refunds and Loan Repayments. Previously a waiver of debt was not regarded as permissible for Gift Aid, without funds being returned to a donor first, as Gift Aid requires a “payment of a sum of money”.

In response to the cancellation of many charity events as a result of COVID-19, HMRC introduced a temporary concession in April 2020 that allowed donors to convert their tickets to donations that could have Gift Aid applied.

HMRC has now confirmed that it will be making this change in view permanent, so that any such waivers of refunds, including waivers of loans to charities, can count as donations to which Gift Aid can apply, provided the agreement to waive the loan/right to a refund is clear and irrevocable.

The guidance can be seen here: https://www.gov.uk/government/publications/charities-detailed-guidance-notes/chapter-3-gift-aid#chapter-345-claiming-gift-aid-on-waived-refunds-and-loan-repayments

Business Rates Review

A fundamental review of business rates was announced by the Chancellor in the 2020 Budget, with a call for evidence published in July 2020 to seek stakeholders’ views on key issues, such as reliefs and exemptions including charitable rate relief. The call for evidence closed in October 2020.

An interim report was published on 23 March summarising responses received, and whilst there is no immediate indication that charitable rates relief is under threat, some respondents commented on the potentially distortive effect and disadvantage for other tenants.

The final report is expected to be published in Autumn 2021.

A copy of the interim report can be found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/971681/Fundamental_Review_Interim_Report.pdf

Appendix 4 - Non Profits events, courses and briefings

We believe it is important to keep our clients up to date on the issues that affect them and, as a part of our ongoing communication, we regularly hold seminars and courses. Unfortunately, due to the current Covid-19 restrictions, we have necessarily had to suspend our face to face courses and seminars.

Although we hope to be able to return to our seminars and courses in the not too distant future, we are currently working to replace some of these as webinars. We have a number of webinars currently in development and will make these available as soon as we can.

As a result the webinar sessions are likely to be put out with relatively short notice and we therefore encourage you to visit our website (https://www.crowe.com/uk/croweuk/industries/webinars).or register to our mailing list (nonprofits@crowe.co.uk) to stay updated on these. Any webinars which you have missed remain available on demand on our website.

Past and planned webinars

These sessions are run by experts from our Non-Profits team on topical issues. Full details of timing and how to register are on our website.

• Risk management in a post pandemic world
• The evolving role of the Audit Committee
• Emerging updates virtual conference
• Governance for non-profits in a VUCA world
• Demonstrating your charity's impact
• COVID-19 financial reporting issues for charities
• Bite sized Trustee Essential: Reserves, going concern and reporting
• Bite sized Trustee Essentials: Trustee responsibilities
• Understanding and managing reserves
• Improving efficiency and productivity

• Planning for recovery
• COVID-19 and cybercrime
• COVID-19 and fraud
• Making Tax Digital for VAT 2020
• Charity VAT update
• VAT bitesize webinars
• Managing your cashflow with CBILS and CJRS
• Off payroll working

For further information please visit our website https://www.crowe.com/uk/croweuk/industries/non-profits or email nonprofits@crowe.co.uk.

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