



**To:** Council  
**From:** Matthew Redford  
**Date:** 8 May 2019  
**Paper:** C19/009

**Review of principal accounting policies and accounting estimates and judgements**

<b>Classification</b>	Public
<b>Purpose</b>	For noting
<b>Issue</b>	This paper describes the minor revisions to the principal accounting policies and accounting estimates and judgements agreed by Audit Committee at its meeting on 21 March 2019.
<b>Recommendations</b>	To note the minor revisions to the principal accounting policies and accounting estimates and judgements, as agreed by Audit Committee at its meeting on 21 March 2019
<b>Financial and resourcing implications</b>	None
<b>Equality and diversity implications</b>	None
<b>Communications implications</b>	None
<b>Annex</b>	A: GOsC principal accounting policies FY2017-18  B: Marked-up version of principal accounting policies

## **Introduction**

1. An organisation should adopt accounting policies which are the most appropriate to its individual circumstances in order that its financial statements offer a 'true and fair view' of the financial position.
2. The GOsC Annual Report and Accounts detail our principal accounting policies and critical accounting estimates. The principal accounting policies which were in the FY2017-18 annual report and accounts are set out at Annex A.

## **Discussion**

3. The executive recognises the need for the principal accounting policies and accounting estimates to be kept under close review. Audit Committee receives a standing report at its March meeting with Council invited to note the principal accounting policies and accounting estimates and judgements in May.
4. In reviewing its principal accounting policies and critical accounting estimates the executive had regard of the updated Charities SORP although its requirements are only applicable for reporting periods beginning on or after 1 January 2019.
5. Nonetheless, the executive always taken the view that we should try to follow best practice requirements even before they become mandatory.
6. There were two areas of the updated Charities SORP which might be most relevant to how the GOsC prepares its financial statements:
  - a. clarifying the existing requirement to provide comparative information;
  - b. requiring charities to prepare a reconciliation of net debt as a note to the cash flow statement if needed.
7. The executive are content that the current structure of accounts already covers the need for appropriate disclosures around comparative information. Turning to the cash flow statement, at present the GOsC does not have any debt (borrowings, derivatives and obligations under finance leases) and therefore this does not apply at present. Crowe, external financial auditors, agree with this view.
8. Therefore, Council should be assured that the changes to the Charities SORP will not impact on how GOsC prepares its financial statements in 2018-19.
9. Turning to the principal accounting policies and accounting estimates and judgements, Crowe have identified some areas where the wording of the policies could be tightened and standardised.

10. A marked-up version of the principal accounting policies is set out at Annex B.  
The Executive were content with these suggestions and consider that they should be accepted and Audit Committee agreed with this view.

**Recommendations:**

1. To note the current principal accounting policies and accounting estimates and judgements.



## **Principal accounting policies (FY2017-18)**

### **Basis of accounting**

The General Osteopathic Council (GOsC) was established under the Osteopaths Act 1993 and is domiciled in the United Kingdom, and the principal office address is Osteopathy House, 176 Tower Bridge Road, London SE1 3LU. The GOsC is required to maintain adequate financial records and it does so through preparing accounts which are laid before each House of Parliament.

Reserves have been accumulated over previous financial periods in order to withstand any unforeseen circumstances, and the members of Council continue to adopt the going concern basis of accounting in preparing the financial statements.

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" Charities SORP (FRS 102) and the Charities Act 2011.

The financial statements have been prepared on an historic cost basis as modified by the revaluation of investments.

The financial statements are presented in sterling (£). The GOsC meets the definition of a 'public benefit entity' under FRS 102.

### **Critical accounting estimates and judgements**

To be able to prepare the financial statements, the GOsC has reviewed its accounting policies and the amounts recorded in the annual accounts to ensure any estimates and judgements which have the most risk of causing a material adjustment to the accounts are disclosed. In the view of the Council there are no significant estimates or judgements involved in the preparation of the financial statements.

### **Intangible assets**

In accordance with Charities SORP (FRS 102), the cost of cloud based servers and software (costing more than £750) are treated as intangible assets and will be subject to amortisation. Amortisation is provided on intangible assets, on a straight-line basis, as follows:

Computer software	5 years
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**Tangible fixed assets**

All assets with a useful economic life of more than one year and costing more than £1,000 (or more than £750 for computer equipment), are capitalised. Depreciation is provided on fixed assets, on a straight-line basis, as follows:

Freehold building	50 years
Office furniture	5 years
Office equipment	3 years
Computer hardware	3 years

**Income**

Registration and other fee income is recognised over the period that a service is provided and so the GOsC earns entitlement to the income, for registration fee income this is over the period of one year from the date the individual was first entered onto the register. Investment income including bank interest income is accounted for as earned.

**Investment**

Investments are valued at market value as at the balance sheet date. Realised and unrealised gains and losses arising on the revaluation of investments are credited or charged to the Statement of Financial Activities. Investments include cash deposits where monies are not required for short term working capital and the intention is for that cash to be held to generate a return for in excess of 12 months.

The GOsC has a further £500,000 invested in a 120-day bond with Secure Trust Bank.

**Expenditure**

All expenditure is accounted for on an accruals basis as soon as a liability is considered probable. Expenditure directly related to a single activity is allocated to that activity in the notes to the financial statements. Staff costs attributable to more than one cost category of expenditure are apportioned on the basis of the estimated amount of staff time attributable to that activity in the year.

**Pension contributions**

The GOsC operates a defined contribution pension scheme for qualifying employees. The employer's contribution for the year is charged to salaries in the Statement of Financial Activities.

### **Fund accounting**

The General Reserve consists of unrestricted funds that are available for use at the Council members' discretion in furtherance of the objectives of the GOsC. Designated funds are unrestricted funds set aside at the discretion of the Council members for specific purposes.

### **Short-term deposits**

Short-term deposits comprise cash sums held on deposit with recognised banks.

### **Going concern**

In the financial year ended 31 March 2018, a small deficit was incurred after designated spending from reserves. Reserves have been accumulated over previous financial periods in order to withstand any unforeseen circumstances, and the members of Council continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Financial instruments**

The GOsC only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.



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Freehold building	50 years
Office furniture	5 years
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Land is not depreciated.

## **Income**

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## **Investment**

Investments are valued at market value as at the balance sheet date. Realised and unrealised gains and losses arising on the revaluation of investments are credited or charged to the Statement of Financial Activities. Investments include cash deposits where monies are not required for short term working capital and the intention is for that cash to be held to generate a return for in excess of 12 months.

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## **Expenditure**

All expenditure is accounted for on an accruals basis. ~~as soon as a~~ A liability is recognised when the GOsC enters into a legal or constructive obligation to make a payment to a third party. ~~considered probable.~~ Expenditure directly related to a single activity is allocated to that activity in the notes to the financial statements. ~~Staff~~ Costs attributable to more than one ~~cost~~ category of expenditure are apportioned on the basis of the estimated amount of staff time attributable to that activity in the year.



### **Pension contributions**

The GOsC operates a defined contribution pension scheme for qualifying employees. The employer's contribution for the year is charged to ~~salaries in~~ the Statement of Financial Activities ~~in the period earned by the employee.~~

### **Fund accounting**

The General Reserve consists of unrestricted funds that are available for use at the Council members' discretion in furtherance of the objectives of the GOsC. Designated funds are unrestricted funds set aside at the discretion of the Council members for specific purposes.

### **Short-term deposits**

Short-term deposits comprise cash sums held on deposit with recognised banks.

### **Going concern**

In the financial year ended 31 March 2018, a small deficit was incurred after designated spending from reserves. Reserves have been accumulated over previous financial periods in order to withstand any unforeseen circumstances, and the members of Council continue to adopt the going concern basis of accounting in preparing the financial statements.

### **Financial instruments**

The GOsC ~~has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash and bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise accruals, trade and other creditors. only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.~~