Radiology and Oncology Congresses

ROC Events Limited

Post Audit Management Report

Year Ended 30 September 2018

We have completed the audit of Radiology and Oncology Congresses and its subsidiary ROC Events Limited for the year ended 30 September 2018 and we expect to issue an unqualified audit opinion.

This report covers the findings from our audit, the scope of which was communicated to you prior to commencing the work. It includes some recommendations for improving the accounting and internal control systems as well as highlighting some future developments that may be of interest to the board.

We hope that the recommendations are practical and are able to be implemented. We would be grateful if you could discuss the points as a board and will welcome a written response. Please extend our thanks to Ian Wolstencroft and Sucheta Guha for all their help with the audit.

If you have any concerns or questions arising from this report, please contact James Cross.

Yours faithfully

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**Kingston Smith LLP**

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**Date**

**Section 1** Audit Approach

**Section 2** Significant Findings from the Audit

**Section 3** Operation of the Accounting and Internal Control Systems

**Section 4** Sector Update

**Appendix 1** Corrected Misstatements and Reclassifications

**Appendix 2** Uncorrected Immaterial Misstatements and Reclassifications

**Appendix 3** Other Matters

This report has been prepared for the sole use of the board of Radiology and Oncology Congresses and its subsidiary ROC Events Limited and must not be shown to any third parties without our prior consent. No responsibility is accepted by Kingston Smith LLP towards any third party acting or refraining from action as a result of this report.

As outlined in our pre-audit letter dated 19 November 2018 our audit approach is based on an assessment of the audit risk relevant to the individual financial statement areas. Areas of risk are categorised according to their susceptibility to material misstatement, whether through complexity of transactions or accounting treatment. For each area we calculated a level of testing and review sufficient to give comfort that the financial statements are free from material misstatement.

The following table lists any risks identified at the planning stage and during the course of the audit, our approach to mitigate the risk and our conclusions from completing this work

**Risk – Related Party Transactions**

* Related party transactions are not correctly valued or disclosed.

**Audit Approach**

* Related party transactions and balances were substantively tested.
* Board minutes were reviewed for any mention of loans and respective agreements.
* Conflicts of interest register was obtained and reviewed.

**Conclusion**

* From the audit work completed, there was no indication of any undisclosed or incorrectly stated related party transactions.

**Risk – Expenditure cut-off and commitments**

* Venue deposits invoiced or paid before the year end may not be recognised appropriately and contractual commitments may not be provided adequately.

**Audit Approach**

* Review significant 2018/19 event costs that may be incurred pre year end and such venue hire deposits.
* Sample test significant invoices and payments in close proximity to the year end.
* Review venue hire contracts for evidence of committed future expenditure, taking into account of any break clauses.

**Conclusion**

* From the audit work completed there was no indication of any expenditure cut off errors.

**Risk – Revenue Recognition**

* Revenue is not recognised in the correct period of accounts.

**Audit Approach**

* Revenue has been tested substantively by sample testing. Sales cut-off has also been tested through a sample of transactions.
* Reconciliations of deferred income were also sought where necessary.
* A detailed analytical review was also carried out.

**Conclusion**

* From the work performed in the sales and debtors section of the audit file, assurance has been gained that income has been correctly recognised in the year. Only income relating to the 2018 event appears to have been included in the 2017/18 financial statements.

**Risk – Management Override**

* There is a risk that with limited segregation of duty, management override of controls could arise.

**Audit Approach**

* We have reviewed a sample of journals and miscellaneous payments during the audit and confirmed the sample is bona-fide by reference to supporting documentation.

**Conclusion**

* From the work carried out by looking at the journals raised during the year and review of relevant miscellaneous payments, nothing has come to light that suggests inappropriate management override of controls.

**Risk – Debt Recovery**

* Trade debtors may be irrecoverable if not invoiced and paid before the event take place.

**Audit Approach**

* Review a sample of significant year end debtors to establish whether recovered post year end, review correspondence with significant older debtors and consider adequacy of bad debt provisions.

**Conclusion**

* From the work performed, as at the audit date the debts appear to be materially recovered and hence no bad debt provision is necessary.

We are required under International Standards on Auditing to request you to correct all misstatements identified during our audit, with the exception of those that are clearly trivial.

## Corrected material misstatements and reclassifications

Included as Appendix 1 are the corrected misstatements identified during the course of our audit work which have been discussed and agreed with you.

## **Uncorrected immaterial misstatements and reclassifications**

Included as Appendix 2 are the uncorrected misstatements or reclassifications that are not trivial and are not material, both in isolation and in aggregate, which we identified during the audit work and which you do not propose to adjust in the financial statements.

## Observations concerning the operation of the accounting and control systems

We detail in section 3 other matters concerning the operation of the accounting and control systems that we consider should be brought to your attention. We have also included an assessment of the extent to which our previous recommendations have been implemented.

We look forward to receiving your responses on the points raised.

Due to the nature of an audit we may not have identified all weaknesses within the accounting and internal control systems which may exist and the contents of this section of our letter and any items disclosed in this report should not therefore be taken as a comprehensive list of such weaknesses.

## Management Representation Letter

A draft of our proposed management representation letter has been sent to you under separate cover. All of the matters included in this letter on which we seek the Directors’ formal confirmation are in respect of routine matters.

**Current year observation – invoices not marked as authorised**

There were instances where invoices received by ROC were not stamped as authorised by each signatory, given that in some instances signatories are only provided with copies of invoices to authorise rather than originals.

Not having this control in place could increase the risk of duplicate invoices or falsified invoices being recognised within the accounts. This could result in the accounts being materially misstated

**Recommendation**

We recommend you consider implementing a system that ensures each signatory approving payments has access to the corresponding original invoices and if appropriate countersigns the invoice at the time of approval.

**Response**

Invoices are not preauthorised before bank transfers are created. The second authorising person is normally the Honorary Treasurer who sees a copy of the invoice prior to his authorisation. All invoices are annotated with the type of payment and date. There is at the moment therefore no change of process from prior years. However we are considering making it mandatory for payments over £3,000 to be initialled for approval by senior Profile Management with the exception of payments to be made to Profile itself (which are checked and initialled by the Finance Officer to ensure they are in compliance with contractual arrangements).

**Current year observation – significant increase in year-end debtors**

The Trade Debtors balance in the draft accounts was significantly up at 115k in 2018 from nil in the prior year. This was due to weaknesses surrounding the timing of invoices raised by the sales team. Customers are more likely to dispute invoices raised after the event than those raised in advance. Bad debts may be incurred where customers have not paid prior to the event. This could create large fluctuations in the debtor balance and could result in customers not paying in the required time frame, creating potential cash flow issues.

**Recommendation**

Ensure sales invoices are correctly raised in the appropriate time before the event. Ensure debts are regularly chased and consider excluding exhibitors or attendees in the event of non payment, particularly where payment terms are exceeded.

**Response**

This point will be discussed with Profile Productions who prepare the initial operational accounts, and will be noted for future accounts preparation.

**Prior year observation – credit balance in debtors**

The Trade Debtor balance in the draft accounts was in fact a credit balance. The balance related to misallocated income, deferred income and refunds due to customers.

**Recommendation**

Ensure that debit and credit balances are not netted off – this will ensure accounts are more easily understood and follows FRS102 guidelines.

**2017 response**

This point will be discussed with Profile Productions who prepare the initial operational accounts, and will be noted for future accounts preparation.

**Implementation progress**

We have seen evidence of these being reallocated by the client in producing the draft accounts for 2018. This point is therefore closed.

**Prior year observation – credit notes not issued**

There was an instance where a credit note was not raised for an invoice which was paid as part of a batch payment to a third party.

**Recommendation**

No evidence of a credit note could imply that there is an outstanding liability to the supplier at the year end. This could result in an understatement of purchases.

**2017 response**

All attempts to obtain a credit note in this case have failed, through a lack of response from the supplier. We will instruct Profile Productions to more closely monitor payments by third parties to ensure the appropriate documentation is acquired in the future.

**Implementation progress**

We have reviewed credit notes and purchase invoices for the year ended September 2018 and have found no further issues. This point is therefore closed.

**1. Fraud in the Charity Sector**

Fraud in the charity sector is unfortunately at an all-time high, with recent estimations being a loss of £2.3bn annually to the UK Not for Profit sector (an increase of some £400m from estimates shared in 2016). Alongside our own Kingston Smith specialists in this area, the sector is beginning to develop a suite of tools, guides and blogs which are worth a visit to ensure your Charity is aware of the key fraud considerations, potential pitfalls and suggested controls:

* The Fraud Advisory Panel (a registered charity and independent voice of the anti-fraud community) - <https://www.fraudadvisorypanel.org/>
* 10 questions every Trustee should ask about Fraud and suggested policies - <https://www.gov.uk/guidance/protect-your-charity-from-fraud>
* The National Cyber Security Centre - <https://www.ncsc.gov.uk/news/advice-thwart-devastating-cyber-attacks-small-charities>
* Action Fraud for reporting - <https://www.actionfraud.police.uk/>

This area is notoriously fast moving, with new areas of attempted fraud arising daily, but some of the prevalent current frauds and potential controls to protect your charity from these, include:

**“Supplier mandate fraud”**

Contact is made from a “supplier” employee who is noting (either by phone or official headed notepaper) a change of bank details. The bank details are fraudulent.

*Control to mitigate the risk* – review and approval of all standing data supplier changes and calls to confirm BEFORE updates processed.

**“Batch supplier duplication”**

An example of an internal fraud – the details of a supplier are duplicated onto the system and the duplicate given the fraudulent parties bank details. “Real invoices” are paid twice, hidden in the batch run, once real and once fraudulent.

*Controls to mitigate the risk* – Approval of new suppliers and monthly management accounts reviews. The additional payment debit will need to be either to a balance sheet code or will be seen through an inflated expense code on the SOFA.

**“Fraudulent staff/temp staff costs”**

The fraudulent party continues to pay staff after they have left (using updated fraudulent bank details), enrols ghost employees for payment or processes fake invoices through “busy” nominal codes such as temp staff costs.

*Controls to mitigate the risk* - This fraud is almost always discovered through a review of management accounts vs budgets. Preventive controls would include approval of staff detail changes and “lock down” on leavers details in a timely fashion.

**2. CHARITIES SORP (FRS 102): Update Bulletin 2**

On 5th October 2018, the Charity Commission and OSCR issued the much awaited second update bulletin to the Charities SORP to incorporate amendments made by the triannual review of FRS 102.

The 20 page document is an add-on to the existing SORP and incorporates the below items as was expected when the draft was put out for commentary. The amendments to the SORP are split into three categories. The first section includes amendments which are based on clarification made by the FRC and do not relate to changes to the underlying text of FRS 102. The second and third sections include amendments which are based on those changes made to the underlying text of FRS 102. These are split between those which are significant and likely to have an impact on the financial statements of charities and those which are less significant or editorial in nature.

**Clarifying amendments**

* Clarifying the requirement to provide comparative information for **all numbers** included within the financial statements and the notes, unless otherwise stated in FRS 102 and the SORP.
* The removal of the undue cost or effort exemption for depreciating assets comprising of two or more major components which have differing depreciation rates.
* Clarifying the new regime in regard to payments by subsidiaries to their charitable parents that quality for gift aid but was paid after the end of the reporting period.

**Significant amendments**

* Allowing charities that rent investment properties to other group entities to measure the investment property either at cost or at fair value.
* Removing the undue costs or effort exemption for investment property components of mixed use properties to require measurement at fair value.
* Removing the disclosure of stocks recognised as an expense in notes to the accounts.
* A requirement for charities to prepare reconciliation of net debt as a note to the statement of cash flows.
* Allows the transfer of activities through a subsidiary undertaking to be accounted as a merger.
* Insertion of a definition of long term service potential.

**Other amendments**

* These are mainly textural changes except there is an additional disclosure requirement for charities that make loans in a similar manner to financial institutions.

The effective date to apply the agreed amendments will be for accounting periods beginning on or after 1 January 2019.

**3. Trustee Disqualifications**

The Charities (Protection and Social Investments) Act 2016 received Royal Assent back in March of that year. This Included a number of provisions which have been implemented over the past 18 months (raising standards in fundraising, for example). One of the most written about and extensive provisions, relating to automatic disqualification of Trustees and Senior Managers, is applicable from 1 August 2018.

Whilst the sector, via the Charity Commission, already had disqualification provisions, these new requirements are far more extensive in nature and could have significant potential ramifications for your Charity:

-      Those individuals who have **unspent** convictions for offences of dishonesty or deception, declared bankrupt or disqualified from being a company director are already automatically disqualified as charity trustees

-      A new wide range of unspent convictions will be added to this automatic disqualification, including:

* terrorism,  money laundering and bribery
* perverting the course of justice
* breaching Charity Commission orders relating to finances or property
* attempting, aiding or abetting any of the above offences.

-    The provisions extend all of the above unspent convictions to not only trustees, but also “senior management” – a definition is provided in the Act which outlines those employees who are management and/or have control over money. Almost definitely, your Charity CEO and Finance Director (or equivalent) will meet the definition.

The systems and controls in place to check Trustees are eligible (both for new appointments and, now given the new requirements, those already in post) will need to be reviewed and updated. Charities can make use of official registers which record the names of people who are disqualified from acting as charity trustees. These include:

-     *The Individual Insolvency Register* maintained by the Insolvency Service. <https://www.gov.uk/search-bankruptcy-insolvency-register>, which contains details of:

* bankruptcies that are either current or have ended in the last 3 months
* current individual voluntary arrangements and fast track voluntary arrangements
* current bankruptcy restriction orders and undertakings
* Searches of the Register can be made on the [Insolvency Service website](https://www.gov.uk/government/organisations/insolvency-service), by visiting your local Official Receiver’s office, or by post or fax.

-     *The register of disqualified directors maintained by Companies House*, <https://www.gov.uk/government/organisations/companies-house>.  Searches of the register can be made on the [Companies House website](https://www.gov.uk/government/organisations/companies-house).

-     *The* [*register of all persons who have been removed as a charity trustee*](http://apps.charitycommission.gov.uk/trusteeregister/search.aspx?RegisteredCharityNumber=&CurrentLanguage=English&SubsidiaryNumber=&=DocType&)*.* [*http://apps.charitycommission.gov.uk/trusteeregister/search.aspx*](http://apps.charitycommission.gov.uk/trusteeregister/search.aspx) either by the commission or by an Order of the High Court since 1 February 1993.

Those affected may also be able to apply for an advanced waiver from the Charity Commission (the service opened from February 2018 and must be applied for by the individual, rather than the Charity on their behalf) through <https://www.gov.uk/guidance/automatic-disqualification-rules-for-charity-trustees-and-charity-senior-positions#apply-waiver>

Further information can be found at <https://www.gov.uk/guidance/automatic-disqualification-rules-for-charity-trustees-and-charity-senior-positions>

**4. Making Tax Digital for VAT**

From 1 April 2019, organisations who are registered for VAT will have to comply with the new Making Tax Digital (MTD) requirements. This will require storing VAT accounting information digitally, and having a clear electronic audit trail from source systems through to the digital submission of VAT returns to HMRC.

Compliance for many organisations will require fundamental changes to existing processes and systems. Therefore, with less than twelve months until the mandated start date, preparation should be underway to fully understand your current VAT accounting processes and implement any required changes.

MTD is likely to extend to other taxes from 2020, so whilst the issue today is preparation, the preparations should be regarded as being part of the wider objectives of the tax functions. It is vital to plan properly, and to understand the full impact of the changes and the reach of these in the whole organisation. Charities and not-for-profit organisations have complex VAT affairs, with more involved calculations than a “regular” business. Therefore, the things that you should be considering now include:

* Assessing the current status of HMRC’s guidance and the  digital processes that HMRC are going to require;
* The current level of manual intervention that is required for you to prepare the returns and calculations, and what level of manual intervention is going to be permitted going forward (i.e., can you make manual adjustments and how to deal with partial exemption calculations);
* How MTD will actually work on a practical basis, and how this differs from the current system;.
* How to ensure that nothing will get missed out between now and 1 April next year and who are the people who will be responsible in the organisation for making the transition.

The introduction of MTD offers an opportunity for taxpayers to review their VAT accounting and the treatment of income and expenditure. In order to successfully transition to MTD, it is essential to have full knowledge of what is happening at the moment and an understanding of the basis for this.

A list of software suppliers who are on the way to releasing a product which supports MTD for VAT can be found here:

<https://www.gov.uk/government/publications/software-suppliers-supporting-making-tax-digital-for-vat?utm_source=a228e799-077f-4b70-9091-1f47c3314443&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate>

**5. Charity Commission Consultation on Guidance for Charities that are connected with non charitable organisations**

The consultation is to provide guidance for trustees of charities that have a long term close relationship with a connected non charitable organisation such as a:

* Trading subsidiary
* Commercial business
* Not for profit organisation or social enterprise

The guidance makes it clear that a charity can only have a relationship with a connected non charitable organisation if it furthers or will help the charity’s purposes and is in the charity’s best interests. Guidance explains that if the relationship is to be successful for the charity and the charity trustees need to be clear about their legal duties. They need to recognise the regulatory and legal risks and challenges that can arise as a result of the relationship and what they need to do to address them.

Typically, a charity might be connected with a non charitable organisation due to the following relationships:

* The charity owns all or most of the shares in a non charitable organisation
* The non charitable organisation is the sole or significant member of the charity
* The non charitable organisation has the right to appoint and remove the trustees of the charity
* Common personnel of both directors and employees of both the charity and the non charitable organisation
* The charity and the non charitable organisation purposefully share similar names, branding, websites or premises
* The charity is entirely or regularly funded by the non charitable organisation.

The guidance covers eight areas that charity trustees need to consider in this scenario.

* Complying with trustee duties
* Keeping the charity separate – not blurring the boundaries
* Making independent decisions
* Avoiding conflict of interest and conflicts of loyalty
* Avoiding personal benefit
* Use of written agreements
* Being open and accountable
* Managing the risks and reviewing the relationships.

Should you require any assistance with this matter, please contact James Cross.

**ROC**

None noted.

**ROC Events**

None noted.

**ROC**



**ROC Events**

None noted.

## Engagement & Independence

Our engagement objective was the audit of Radiology and Oncology Congresses and its subsidiary ROC Events Limited.

We have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s (FRC) Ethical Standards. To this end we considered our independence and objectivity in respect of the audit for the period under review before commencing planning our audit and communicated with you on these matters in our pre-audit letter dated 19 November 2018.

No other matters have come to our attention during the audit which we are required to communicate to you and the safeguards adopted were as described in our pre-audit letter.

## Qualitative aspects of accounting practices, accounting policies and financial reporting

Based on our audit work performed, we believe that the Strategic Report, Directors’ Report and financial statements for the period under review comply with United Kingdom Accounting Standards and the Companies Act 2006.

During the course of our audit of the financial statements for the period under review we did not identify any inappropriate accounting policies or practices.

## Matters specifically required by other Auditing Standards to be communicated to those charged with governance

Other than as already explained in our Engagement Letter, Pre-Audit Letter and this Post-Audit Management Report, there are no other specific matters to communicate as a result of our audit of the financial statements under review.