



College of Opticians of Ontario

Audit Findings Report

for the year ended December 31, 2023



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Audit highlights

Purpose of the report

The purpose of this report is to assist you, as a member of senior management, Executive Committee and the Board of Directors, in your review of the results and audit of the financial statements as at and for the year ended December 31, 2023.

Status of the audit

As of the date of this Audit Findings Report. We have completed the audit of the financial statements, with the exception of certain remaining procedures, which include the following:

- Completion of our subsequent event review procedures
- Completing our discussions with the senior management team, Executive Committee and the Board of Directors
- Receipt of signed management representation letter (dated upon approval of financial statements)
- Obtaining evidence of the Board's approval of the financial statements

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

Audit approach and audit risks and results

Our audit is risk focused. In planning our audit, we have taken into account key areas of focus for financial reporting. Refer to page [7](#)

Materiality

Refer to page [5](#) for further details.

The audit findings report should not be used for any other purpose or by anyone other than the senior management team, Executive Committee and Board of Directors of the College. Grewal Guyatt LLP shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this audit planning has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights (continued)

Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. A significant deficiency in internal control is a deficiency, or combination of deficiencies, in internal control that, in the auditor's professional judgement, is of sufficient importance to merit the attention of those charged with governance.

Independence

We are independent and have extensive quality control and conflict checking processes in place. We provide complete transparency on all services and follow Board of Directors approved protocols.

Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the College's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter provided to management.

Corrected and uncorrected adjustments

Refer to page 8 for corrected and uncorrected adjustments.

Materiality

Materiality is used to identify risks of material misstatement, develop an appropriate audit response to such risks, and evaluation the level at which we think misstatements will reasonably influence users of the financial statements. It considers both qualitative and quantitative factors. To respond to aggregation risk, we design our procedures to detect misstatements at a lower level of materiality.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Materiality determination	Comments	Amount
Benchmark	Based on total revenues for the year.	\$3.38 Million
% of Benchmark	The percentage used for the benchmark is assessed at 3% of total revenues.	3%
Materiality	Determined to plan and perform the audit and to evaluate the effects to identified misstatements on the audit and of any uncorrected misstatements on the financial statements.	\$100,000
Audit misstatement posting threshold	Threshold used to accumulate misstatements identified during the audit.	\$5,000

We also use materiality to evaluate the effect of:

- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Audit risks and results

We highlight our significant findings in respect to significant financial reporting risks identified. The risk of material misstatement due to fraudulent revenue recognition and management override of controls are presumed inherent risks which exist at every organization. As such, the Canadian Auditing Standards require the auditors to incorporate certain procedures to address these risks.

Significant risk	Why is it significant?
Risk of material misstatement due to fraud resulting from fraudulent revenue recognition	This is a presumed fraud risk. Fraud risks include misappropriation of funds, overstatements of revenue through posting manual journal entries and manipulation of cut-off.
Our audit approach and findings	
<p>We obtained an understanding of the activities and controls to prevent and/or detect overstatement of revenue through posting of journal entries and manipulation of year-end cut-off of revenues. We performed test of details comprising review of cut-off and review of specifically defined journal entries directed at revenue.</p> <p>We have not identified any issues associated with fraudulent revenue recognition. Refer to page 8 for unrecorded adjusting entry related to deferred revenue.</p>	

Significant risk	Why is it significant?
Risk of material misstatement due to fraud resulting from management override of controls	This is a presumed fraud risk.
Our audit approach and findings	
<p>As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include the following:</p> <ul style="list-style-type: none"> • testing of journal entries; • performing a retrospective review of estimates; and • evaluating the business rationale of significant transactions <p>We did not identify any issues related to fraud risk associated with management override of controls.</p>	

Audit approach

Area of focus	Our audit approach
Cash and investments	<ul style="list-style-type: none"> • Direct confirmation with third party financial institution • Review of bank reconciliations • Review of credit facility agreement and ensure financial statement disclosure is accurate • Agree investments balance to investment statement • Recalculate the accrued interest receivable as of year-end
Capital assets	<ul style="list-style-type: none"> • Significant additions/disposals vouched to supporting documentation • Reasonability of amortization expense • Review for potential impairment of long-lived assets
Revenues and deferred revenue	<ul style="list-style-type: none"> • Discuss revenue recognition with management and ensure compliance with ASNPO • Perform substantive analytical procedures over revenues • On a sample basis, vouch revenue to invoices • Review deferred revenue balance as of year-end
Accounts payable and accrued liabilities Expenditures other than payroll	<ul style="list-style-type: none"> • Obtain year-end listing of accounts payables and accruals and agree significant items to supporting documentation • Search for unrecorded liabilities • On a sample basis vouch expenses to vendor invoices
Salaries and benefits	<ul style="list-style-type: none"> • Significant payroll related accruals recalculated and vouched to supporting documentation • Perform substantive analytical trend analysis over average payroll per employee • On a sample basis, agree payroll expenses to employee file
Net assets	<ul style="list-style-type: none"> • Perform net asset roll • Review board approval for any new restricted inter-fund transfers from/to restricted fund

Other areas of focus

Significant findings from our audit regarding other areas of focus for the Entity are as follows:

Deferred revenue

During our testing of deferred revenue, we obtained a registration report from management which summarized all the membership fees that were received between October 30, 2023 – December 31, 2023. These fees represent the optician annual registration fees for fiscal 2024 and as such, must be setup as deferred revenue as at December 31, 2023.

- The member database is new and as such management is in the process of reconciling the reports from the database to the financial reporting system.
- During our audit, we reviewed the bank reconciliations performed at year-end and did not identify any discrepancies between the bank statements and the general ledger. On a monthly basis, bank reconciliations are prepared to ensure all cash transactions are reflected in the accounting system. These reconciliations are prepared by the bookkeeper and reviewed by management to ensure all cash received and disbursed is appropriately supported and recorded in the general ledger.
- As part of our audit, we performed a substantive analytical using the data provided in the registration report and calculated the expected deferred revenue based on the number of members reported in the registration report from the member database. Our expected deferred revenue compared to the balance recorded in the general ledger resulted in an analytical variance of approximately \$82,000. This results in a potential timing difference in revenue recognition between fiscal 2023 and fiscal 2024.

We recommend that management perform a reconciliation of the registration report to the cash collections to ensure the accuracy of the reports being generated from the new member database. This will ensure the accuracy and completeness of deferred revenue and revenue being recognized.

Uncorrected and corrected audit adjustments

Uncorrected audit adjustments

- \$82K – To record a judgemental timing difference in overstatement of deferred revenue and understatement of revenue

Corrected audit adjustments

The management representation letter includes all adjustments identified as a result of our audit, communicated to management and subsequently corrected in the financial statements.

- \$39.9K - To record amortization on capital assets
- \$16.5K – To accrue for professional fees
- \$82.4K – To record investment interest receivable
- \$53.2K – To record merchant fees related to December 2023

Financial statement presentation and disclosure

Misstatements, including omissions, if any, related to presentation and disclosure items are in the management representation letter. We also highlight the following:

Financial statement presentation- form arrangement, and content	Nothing to report
Concerns regarding application of new accounting pronouncements	Nothing to report
Significant qualitative aspects of financial statement presentation and disclosure	Nothing to report

Required communications

Report	Engagement terms
Refer to the draft audit report attached to the financial statements.	Unless you inform us otherwise, we understand that you acknowledge and agree to the terms of the engagement set out in the engagement letter and any subsequent amendments as provided by management.
Reports to management	Representations of management
Audit findings report as attached	A copy of the management representation letter has been provided to management.
Matters pertaining to independence	Internal controls deficiencies
We confirm we are independent of the College in accordance with the requirements under the external auditing standards.	Other control deficiencies, identified during the audit, that do not rise to the level of a significant deficiency will be communicated to management.
Required inquiries	Audit quality
Professional standards require that we obtain your views on identification and assessment of risks of material misstatement, whether due to fraud or error,	Grewal Guyatt LLP maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of the Canadian professional standards.