



The Institute of Internal Auditors  
UK and Ireland

The Institute of Internal Auditors – UK and Ireland Limited

# 2007

Annual Report and Accounts

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## Message from the president

One of the Institute's major achievements in recent years is that no one disputes the value of internal audit anymore. It is now clear that there is a vital role for us at the heart of corporate governance in the UK and Ireland.

Together with the other cornerstones of good governance – the board of directors, executive management and external audit – we foster faith among an organisation's stakeholders that it is being run in a responsible and appropriate way. As professionals, we provide an opinion on the framework of governance, risk management and control.

It is little wonder then that we are proud to be internal auditors. We join the Institute, learn from others and pass the IIA's exams, which are now recognised as the profession's benchmark for quality among employers and practitioners alike. We enhance the status of our organisations by working to the international standards. And we tell our friends and neighbours what we do for a living.

In addition, we have been busy recruiting others to the profession. In that respect, the Institute continues to go from strength to strength. Shortly after the financial year-end in April 2007 we gained our 8,000th member. The Institute has doubled in size over the last ten years and has seen a growth of 31% in the last five years. We have set ourselves the goal of 10,000 members, which would surely confirm our position as the voice of internal auditing in the UK and Ireland.

The council and the executive work tirelessly on your behalf. These financial statements and annual review tell you the story for the year to 31st March 2007. I commend them to you.

*Alec Richmond*

**Alec Richmond** FIIA  
President



**“As professionals, we provide an opinion on the framework of governance, risk management and control”**

## Chief executive's statement

**W**e continued our efforts during 2006/7 to represent our members and their interests, raise the profile of internal audit, improve our services and drive forward the development of the profession.

These activities are, of course, driven by our key objectives. These include leading the internal auditing profession and promoting its value in all sectors. To that end, we helped the BSI, the British Standards organisation, in their work programme by helping it find people to develop standards on business continuity management and risk management. We also continued to work closely with the Financial Reporting Council (FRC) on its programme to examine the impact of limited competition in the external audit market. Heads of internal audit provided valuable insights and practical viewpoints to the FRC in our joint seminars.

In addition, we served on the steering committee of one of the most significant international internal audit research programmes – the launch of the Common Body of Knowledge, which aims to broaden the understanding of internal audit practice worldwide.

Another of our key objectives is to develop comprehensive professional education and development programmes that are the first choice for all internal auditors. It was pleasing to note that the annual Employment Survey for 2006/7 found that IIA qualifications were the most relevant to internal auditors and their customers.

This finding is reflected in the rapid growth in student numbers, which rose by 19% compared with last year. Students now make up 22% of the overall membership. Areas of particular growth were for the revamped *Advanced Diploma in Internal Auditing and Management*, where enrolments were up an amazing 40% on last year, and the newly introduced *Certificate in Internal Audit and Business Risk*.

While formal qualifications are very important to the professionalism of internal auditing, so is the level of professional development and training. We continued to offer a comprehensive range of courses, seminars, conferences and networking events to members.

Over 1500 internal auditors attended our events last year – the largest and most popular of which is the two-day annual conference, which was held in September 2006. On top of that, we ran 42 public courses for internal auditors, and 74 open workshops aimed at Certificate-level student members.

Heads of internal audit were served by the usual series of monthly forums. Membership of the Heads of Internal Audit Service, which provides information and networking opportunities for those at the top end of the profession, increased to over 300 people – growth of over 5% on the previous year.



**“In the year ahead we will continue to develop our knowledge of the market and push ahead with planned investment in existing services”**

In the year ahead we will continue to develop our knowledge of the market and push ahead with planned investment in existing services. Investment in existing services however, may no longer be enough to ensure membership growth and retention. We also need to increase the level of engagement with our members – to listen to them better, to learn and then apply that knowledge to the development of new membership services that will translate into sustainable value for both the members and the Institute.

I would like to thank the Institute's staff and volunteers for their hard work and dedication to the profession. I would also particularly like to thank the members themselves for their invaluable willingness to share their knowledge and experience and provide constructive feedback on all of our endeavours.

**Gail Easterbrook** FIIA  
Chief executive

## Directors' report

The directors have pleasure in submitting the annual report and audited accounts for the year ended 31 March 2007.

### Business review

The Institute of Internal Auditors – UK and Ireland (IIA) is the only professional body in the UK and Ireland solely dedicated to the profession of internal auditing. We are part of the global Institute of Internal Auditors, which sets the *International Standards for the Professional Practice of Internal Auditing*, and the *Code of Ethics*, which all members agree to follow.

The IIA represents, promotes and develops the professional practice of internal auditing. We have over 135,000 members in 160 countries worldwide, and 8,000 members in the UK and Ireland.

### Our mission

Our mission is to be the leading voice and recognised authority on internal auditing by promoting global standards, best practice and self development, and to be a major contributor to the development of the profession worldwide for the benefit of our members and their organisations.

### Our values

- **Service excellence:** we strive to provide excellent service to our members and customers. We listen to their feedback and provide for their current and future needs. We continually review and improve our performance.
- **Governance:** we operate to the highest standards of corporate governance in all that we do.
- **Leadership:** we are the standard-setters and leaders of the internal auditing profession. We provide our members with relevant resources and encourage them to continually improve their knowledge, skills and performance at work.
- **Representation:** we represent internal auditing to the business world and the public. We strive to raise the profile of internal auditing and we instil a sense of professional pride amongst our members.
- **People:** we respect and value the contribution made by members, volunteers and staff to the profession and the Institute.

### Our key objectives

The Institute's key objectives are:

- To lead the internal auditing profession and promote its value in all sectors
- To develop comprehensive professional education programmes which are the first choice for all internal auditors

- To provide a range of technical and professional services to members which reflect our commitment to best practice
- To increase our membership numbers year on year

### Our principal activities are

- The promotion and development of the practice of internal auditing
- The dissemination of technical and professional guidance to members
- The development of professional education and training programmes for internal auditors
- The sale of publications on internal auditing
- The provision of opportunities for members to network, exchange information and share best practice.

### Fair review of business

The results for the year are shown in the income and expenditure account for the year which is set out on page 10. Total operating income for the period to date was £4,415k an increase of £183k (4%) on the previous year. Total expenditure was £4,206k which was an increase of £278k (7%) on the previous year. Overall, the accounts for the period show a surplus after tax of £276k against a surplus of £324k in 2005/06.

### Position of the Institute at the year end

At the end of the year the Institute had net assets of £1.7m. All changes to fixed assets are shown in Note 6 on page 16. In the Council's opinion, the market value of the Institute's leasehold property continues to exceed the net book value.

### Future developments

In the year ahead we will continue to develop our knowledge of the market and push ahead with planned investment in existing services. In particular, we are committed to:

- Launching our new website and working to turn it into a key resource of knowledge, best practice and issues impacting the profession
- Building the brand credibility of our qualification programmes through their continued ongoing review and development
- Continuing our efforts to promote the value of internal audit to stakeholders and the IIA's wider advocacy targets; building stronger relationships with regulators, standard setters and those who influence the profession
- Finding new ways to demonstrate our leadership of the profession
- Working with our global partners to develop the world-wide profession.

### Description of principal risks and uncertainties

The success of the Institute depends upon its reputation as a supplier of a credible qualification for internal auditors and of robust technical guidance. It is dependent upon the growth and stability in demand for high quality, professional internal auditors. Training provides a substantial proportion of our income and is always sensitive to downturns in the economy. Given our position of leadership in governance, risk management and internal control, we seek to uphold the highest standards in these areas which is a challenge that similar sized companies do not have to meet. We are highly dependent on individuals in key positions and on our volunteer committee members.

### Directors

The directors of the Institute throughout the year were as follows:

P Anderson	
S Blackburn	
S D'Arcy	
B P Dawson	Resigned 22/09/06
K Dignan	
V G Easterbrook	
I Gregory	Resigned 20/07/06
P McKenzie	Appointed 23/11/06
D J Morrell	
R Nelson	
P. Ratcliffe	Appointed 20/07/06
A Richmond	President and Chairman from 22/09/06
A Steet	Appointed 23/11/06 Resigned 30/05/07
R Stevenson	
P Tarling	President and Chairman from 23/09/05 to 22/09/06
K Walker	
V Watson	

Directors who received fees in respect of services performed by them for the Institute during 2006/07 and 2005/06 were as follows:

	2006/07 £	2005/06 £
M Allen	N/A	2,881
R Nelson	9,457	3,995
K Walker	8,235	4,000
	<b>17,692</b>	<b>10,876</b>

The services performed by these directors were unconnected with their role as a director of the Institute.

### Officers' insurance

The Institute has purchased and maintained insurance to cover its directors against liabilities in relation to their duties to the Institute.

### Status

The Institute is a company limited by guarantee. Its Memorandum of Association states that any income or property may be distributed to its members. In the event of the Institute being wound up, voting and non-voting members undertake to contribute to the assets of the Institute such amount as may be required not exceeding £10 and £0.01 respectively.

### Corporate governance

The directors consider and periodically review the requirements of the Combined Code. The Institute seeks to apply best practice requirements for corporate governance and remain responsive to new developments. While it is not bound to follow the Combined Code the directors believe that, where the provisions of the Code are relevant to the Institute, it should apply these principles. The Council considers that the Institute has complied with the requirements of the Code with the exception that, because the Council comprises non-executive directors, with the exception of the Chief Executive Officer, it has not been deemed necessary to appoint a 'senior independent director'. The company's auditors have confirmed to the directors that they are satisfied that the Institute has complied with the applicable financial aspects of the Code.

### Going concern

The Council confirms that, after making appropriate enquiries, it has a reasonable expectation that the Institute has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these accounts.

### Statement on internal control

#### • Scope of responsibility

The Council is responsible for the Institute's system of internal control and for reviewing its effectiveness. In recognition of this responsibility, procedures have been introduced to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Institute. The effectiveness of the system of internal control for the year ended 31 March 2007 and the period up to the date of approval of the Annual Report and Accounts has been reviewed in line with the criteria set out in the Guidance for Directors on the Combined Code.

- **Purpose of the system of internal control**

The system of internal control is structured around an assessment and prioritisation of the various risks to the Institute. The control environment is designed to address in particular those risks that the Council consider to be material to the Institute, in terms of safeguarding its reputation and protecting its assets against unauthorised use or disposal. When designing a system of internal control, there are many options as to the nature and extent of controls that may be implemented. Internal controls, for example, may be preventive or detective in nature and may be performed by people or by information technology systems. A further consideration is the identification of an appropriate balance between the costs of implementation of controls and the identified benefits derived from the controls. There exist inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from an assessment of their effectiveness. These limitations include the possibility of faulty judgement in decision making, of breakdowns due to human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. There can never be complete certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve objectives and can only provide reasonable rather than absolute assurance against material misstatement or loss.

- **Risk & control framework**

Enterprise risk management is a process designed to identify potential events that may affect the entity and manage risk to be within its risk appetite in order to provide reasonable assurance regarding the achievement of that entity's goals. It encompasses strategic, operational, reporting and compliance objectives across the following eight key components:

- 1 Objective setting

The Institute's strategic plan is reviewed and updated annually by the Council. Objectives support and are aligned with the Institute's mission and have been communicated to employees in order to provide effective direction on risk assessment and control issues.

- 2 Event identification

Internal and external events which could impact the achievement of the Institute's objectives and the needs of our stakeholders are identified as part of the annual business planning process and on an ongoing basis.

- 3 Risk assessment

The Institute is committed to embedding risk management throughout the organisation. The Institute has identified risks to the achievement of the strategic objectives which have been prioritised to form a risk register. This register is reviewed by the Audit Committee. The risk register and key strategic risks are also reported to and considered by the Council. Operational management carry out risk assessments for their departments.

- 4 Risk response

The Chief Executive in conjunction with senior management is responsible for ensuring that programmes of work designed to achieve the Institute's strategic objectives are implemented, monitored and delivered. Senior managers are trained in risk management so that appropriate risk responses (e.g. avoidance, acceptance, reduction) can be devised and implemented. Risk management is one of the key competencies for senior managers.

- 5 Control activities

The Council through the Chief Executive is responsible for ensuring that budgets and plans are prepared and that programmes of work are implemented. Senior management demonstrate, through actions as well as policies, the necessary commitment to competence and integrity and to fostering a climate of trust within the Institute. The Institute's culture, code of conduct and human resources policies support the objectives and risk management and internal control system:

- Experienced and suitably qualified staff are responsible for the operations of the Institute functions.
- Authority, responsibility and accountability are defined clearly to ensure that decisions are made and actions taken by the appropriate personnel.
- Annual appraisal procedures have been established to maintain standards of performance.
- A Remuneration Committee sets on-going policy for the pay and reward of staff and approves the salary of the Chief Executive.
- Processes and controls are adjusted to reflect new and / or changing risks or operational deficiencies.
- The Institute has established a number of committees to co-ordinate key business and development activities.

- 6 Information and communication

Regular reports and accounts are prepared by management which allow the Council to monitor the key professional, business and financial activities, risks and progress towards the strategic objectives set for the year

and the medium term. Quarterly management accounts are supplied promptly, providing relevant, reliable and up-to-date financial and other information. Significant variances from budget are investigated as appropriate. The Council also receives regular reports on key performance indicators. Information needs and related information systems are reassessed as objectives and related risks change or as reporting deficiencies are identified. There are established channels of communication for individuals to report suspected breaches of laws or regulations, or other improprieties.

#### 7 Monitoring

There are ongoing processes embedded within the Institute's overall business operations, and addressed by senior management, which monitor the effective application of the policies, processes and activities related to internal control and risk management:

- The Council's Audit Committee reviews reports from Internal Audit, management and External Audit, that provide reasonable, but not absolute, assurance that control procedures are in place and are being followed and that risks are being identified and managed effectively. Reports of the Committee's work are presented to the Council. The members of the Audit Committee during the year were R Nelson (Chairman from 22/9/06), P Anderson and V Watson. In addition, during the year the Council appointed P Swift and M Craig as independent members of the Institute to serve on the Audit Committee.
- KPMG has been the internal audit service provider to the Institute since 2003. A strategic audit plan is developed, informed by the business risk assessment of the Institute. This is presented to and approved by the Audit Committee. Internal audit reports in respect of this financial year were reviewed with management and communicated to the Audit Committee. Recommendations to address any identified issues are monitored by the Audit Committee, which in turn reports to the Council. These processes monitor the Institute's ability to reevaluate risks and adjust controls effectively in response to changes in risk and control assessments. There are specific arrangements for management monitoring and reporting to the Council on risk and control matters of particular importance, including actual or suspected fraud, other illegal or irregular acts and matters that could adversely affect the Institute's reputation or financial position.

#### 8 Review of effectiveness

The Council's view on the effectiveness of internal controls is informed by the work of the internal auditors, managers who have responsibility for the

development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. Evidence from these parties indicates that enterprise risk management is operating effectively.

#### Statement of directors' responsibilities

We are required under company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Institute, and of the surplus or deficit of the Institute for that period. In preparing these accounts we are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether accounting standards have been followed, and give details of any departures; and
- prepare the accounts on a going concern basis unless in our view the Institute will be unable to continue in business.

We are also responsible for:

- keeping proper accounting records;
- safeguarding the Institute's assets;
- ensuring that only authorised transactions are entered into; and
- taking reasonable steps for the prevention and detection of fraud.

#### Auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have also taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Warrener Stewart have agreed to offer themselves for re-election as auditors to the Institute.

By Order of the Council of Directors



**Alec Richmond** FIIA  
President

13 Abbeville Mews, 88 Clapham Park Road  
London SW4 7BX

**26 July 2007**

## Auditors' report

### Auditors' report to the members of The Institute of Internal Auditors – UK and Ireland Limited

We have audited the accounts of the Institute of Internal Auditors – UK and Ireland Limited for the year ended 31 March 2007 which comprise the Income and expenditure account, the Balance sheet, the Cash flow statement and the related notes. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 8, the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards, (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Practice, of the state of the Institute's affairs as at 31 March 2007 and of its surplus for the year then ended;
- the information given in the directors' report is consistent with the accounts; and
- the accounts have been properly prepared in accordance with the Companies Act 1985.

### Warrener Stewart

Chartered Accountants and Registered Auditors  
Harwood House, 43 Harwood Road  
London SW6 4QP

26 July 2007

## Income and expenditure account

For the year ended 31 March 2007

	<i>Note</i>	2007 £	2006 £
Operating income		4,415,474	4,232,147
Direct expenses		(4,206,417)	(3,928,493)
<b>Operating surplus</b>	<i>2</i>	209,057	303,654
Interest receivable/(payable)	<i>3</i>	80,553	55,751
<b>Surplus on ordinary activities before taxation</b>		289,610	359,405
Taxation	<i>5</i>	(13,863)	(35,762)
<b>Surplus on ordinary activities after taxation for the financial year</b>	<i>11</i>	275,747	323,643

The Institute has no recognised gains or losses apart from the results shown above.  
All activities are classed as continuing.

# Balance sheet

31 March 2007

	Note	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		548,659		562,618
<b>Current assets</b>					
Stocks	7	17,764		20,891	
Debtors	8	475,304		423,979	
Cash at bank and in hand		2,407,581		2,107,616	
		2,900,649		2,552,486	
Creditors: amounts falling due within one year	9	(1,719,468)		(1,661,011)	
<b>Net current assets</b>			1,181,181		891,475
Total assets less current liabilities			1,729,840		1,454,093
<b>Reserves</b>					
Income and expenditure account	11		1,729,840		1,454,093

The accounts on pages 10 to 17 were approved by the Council of Directors on 26 July 2007.



**A. Richmond** FIIA  
President



**D. Morrell** FIIA  
Treasurer

## Cash flow statement

For the year ended 31 March 2007

	Note	2007		2006	
		£	£	£	£
Net cash inflow from operating activities	a		269,720		577,332
<b>Returns on investment and servicing of finance</b>					
Interest received	b		80,553		55,751
<b>Tax paid</b>			(14,363)		(7,512)
<b>Capital expenditure</b>					
<b>Purchase of tangible fixed assets</b>			(28,707)		(21,787)
<b>Net cash inflow before financing</b>			307,203		603,784
<b>Increase in cash</b>			307,203		603,784
<b>Reconciliation of net cash flow to movement in net funds</b>					
Increase in cash	c	307,203		603,784	
<b>Change in net debt</b>			307,203		603,784
<b>Net funds at 1st April 2006</b>			2,100,378		1,496,594
<b>Net funds at 31st March 2007</b>			2,407,581		2,100,378

## Notes to cash flow statement

For the year ended 31 March 2007

<i>a</i>	<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
		2007	2006
		£	£
	Operating surplus	209,057	303,654
	Depreciation charges	42,666	61,660
	Decrease/(Increase) in stocks	3,127	(6,902)
	(Increase)/Decrease in debtors	(51,325)	160,633
	Increase in creditors excluding Finance leases and Corporation tax	66,195	58,287
	<b>Net cash inflow from operating activities</b>	<b>269,720</b>	<b>577,332</b>
<i>b</i>	<b>Analysis of cash flows for headings netted in the cash flow statement</b>		
	<b>Returns on investment and servicing of finance</b>		
	Interest receivable	80,932	57,486
	Interest payable on finance leases	(379)	(1,722)
	Other interest	-	(13)
		80,553	55,751
<i>c</i>	<b>Analysis of change in net funds</b>		
		<i>At 1 April</i>	<i>Cash</i>
		<i>2006</i>	<i>flows</i>
		£	£
	Cash at bank and in hand	2,107,616	299,965
	Finance lease within 1 year	(7,238)	7,238
	<b>Net funds</b>	<b>2,100,378</b>	<b>2,407,581</b>
		<i>At 31 March</i>	<i>2007</i>
		£	£

# Notes to the accounts

31 March 2007

## 1 Principal accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the accounts.

### Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

### Operating income

Operating income, which consists mainly of membership subscriptions, fees from courses and conferences, examinations, distance learning and advertising on the Institute's journals, represents invoiced amounts, net of credit notes and VAT.

### Depreciation

Depreciation is provided on all tangible fixed assets on a straight line basis at rates calculated to write off their cost or valuation less estimated residual value of each asset over its expected useful life as follows:

Long leasehold property	50 years
Furniture and fittings	7 years
Office equipment	3 - 5 years

### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on the estimated selling price less the estimated cost of disposal.

### Pensions

The Institute operates a defined contribution scheme for its employees. The funds of this scheme are administered by trustees and are separate from the company. All payments are charged to the income and expenditure account as and when they arise.

### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction.

### Leasing transactions

Assets acquired under a finance lease are capitalised and the corresponding liability to the leasing company is included in obligations under finance leases. Depreciation on leased assets is charged to the profit and loss account at rates calculated to write off the capitalised value of the asset over the shorter of its expected useful life and the term of the lease. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a straight line basis over the primary period of the lease.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account.

### Deferred taxation

Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and is not recognised on permanent differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

It is the Institute's policy not to discount deferred tax to reflect the time value of money.

<b>2 Operating Surplus</b>	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
The operating surplus is stated after charging:		
Depreciation of tangible fixed assets	42,666	61,660
Operating lease rentals:		
- land and buildings	2,795	-
- other assets	3,918	-
Auditors' remuneration	9,250	9,000
	<hr/>	<hr/>
<b>3 Interest</b>	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
Interest received and receivable	80,932	57,486
Less interest paid and payable:		
- finance leases	(379)	(1,722)
- other interest	-	(13)
	<hr/>	<hr/>
	80,553	55,751
	<hr/>	<hr/>
<b>4 Directors and employees</b>	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
<b>Staff costs</b>		
Wages and salaries	973,334	884,547
Social security costs	107,849	92,108
Other pension costs	53,595	50,076
	<hr/>	<hr/>
	1,134,778	1,026,731
	<hr/>	<hr/>
	<i>Number</i>	<i>Number</i>
Average number employed (full time equivalents)	33	32
	<hr/>	<hr/>
<b>Directors</b>		
Directors' emoluments, including pension contributions and other benefits amounted to £89,799 (2006: £68,684). The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2006: 1).		
<b>5 Taxation</b>	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
Corporation tax at 19%	32,000	34,000
(Over)/Under provision in earlier years	(19,637)	1,012
Provision for overseas taxation	1,500	750
	<hr/>	<hr/>
	13,863	35,762
	<hr/>	<hr/>

The Institute is liable to corporation tax only on its investment income and on any surplus on transactions with non-members.

6 <b>Tangible fixed assets</b>	<i>Long leasehold property</i>	<i>Furniture &amp; fittings</i>	<i>Office equipment</i>	<i>Total</i>
	£	£	£	£
<b>Cost</b>				
At 1 April 2006	699,516	29,200	210,792	939,508
Additions	-	6,934	21,773	28,707
Disposals	-	(1,410)	(35,600)	(37,010)
At 31 March 2007	699,516	34,724	196,965	931,205
<b>Depreciation</b>				
At 1 April 2006	179,027	13,515	184,348	376,890
Charge for year	13,990	4,565	24,111	42,666
Disposals	-	(1,410)	(35,600)	(37,010)
31 March 2007	193,017	16,670	172,859	382,546
<b>Net book value</b>				
At 31 March 2007	506,499	18,054	24,106	548,659
At 31 March 2006	520,489	15,685	26,444	562,618

The net book value of tangible fixed assets included £nil (2006: £nil) in respect of assets held under finance leases. The depreciation charged on these assets was £nil (2006: £7,120).

#### **Fixed asset investments**

On 5 April 2006, The Institute of Internal Auditors – UK and Ireland Limited acquired 100 ordinary shares of €1 each in IIA Training Limited, a company registered in the Republic of Ireland.

IIA Training Limited was dormant throughout the period to 31 March 2007.

7 <b>Stocks</b>	<i>2007</i>	<i>2006</i>
	£	£
Distance learning study packs	7,530	15,810
Publications	10,234	5,081
	17,764	20,891
8 <b>Debtors</b>	<i>2007</i>	<i>2006</i>
	£	£
Fees receivable	343,943	251,773
Other debtors	59,851	95,317
Prepayments	71,510	76,889
	475,304	423,979

<b>9 Creditors</b>	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
<b>Amounts falling due within one year</b>		
Finance leases	-	7,238
Trade creditors	119,089	228,879
Corporation tax	41,000	41,500
Other taxation and social security	116,078	79,651
Other creditors	116,112	107,128
Accruals	381,512	314,680
Deferred income	945,677	881,935
	<hr/>	<hr/>
	1,719,468	1,661,011

**10 Financial commitments**

Financial commitments under non-cancellable operating leases will result in the following payments falling due within 12 months of the balance sheet date:

	<i>2007</i>		<i>2006</i>	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
<b>Expiring</b>				
Within one year to five years	15,000	9,176	-	-
After five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	15,000	9,176	-	-

**11 Reserves**

	<i>Income and expenditure account</i>
	<i>£</i>
At 1 April 2006	1,454,093
Surplus for the year	275,747
	<hr/>
At 31 March 2007	1,729,840

**12 Related party transactions**

There were no related party transactions during the year under review except those disclosed in the Directors' report.

## Our volunteers

Throughout the year many members gave of their time and energies to support the profession by serving on national committees, district society committees or by contributing to the Institute's education development programmes. The Institute wishes to thank these members and their employers for the support they have given.

Gordon Adam – HM Treasury  
 Jane Allan – Jane Allan & Associates  
 Daniel Allen – Colchester Borough Council  
 Richard Allenby – Global Solutions Ltd  
 Patrick Anderson – Department for Social Development  
 Grant Angus – KPMG LLP  
 Nigel Archer – Nigel Archer Consultancy Ltd  
 Craig Atkinson – PwC  
 Keith Bailey – Department for Constitutional Affairs  
 Ian Baker – South Somerset District Council  
 Mark Barnes  
 John Barrett  
 Lin Bartlett – Berkeley Bartlett Associates  
 Arnie Bates – Air Products  
 Robert Beattie – British Energy  
 Martin Bennett – University of Gloucestershire Business School  
 Victor Benson – Ballymena Borough Council  
 Krysia Bialoszewska – HM Revenue & Customs  
 Emma Biggin – Royal Bank of Scotland Plc  
 Sarah Blackburn – The Wayside Network  
 Andrew Blackmore – Nationwide Building Society  
 Frank Blades – Department for Work and Pensions  
 Gill Bolton – GEB Business Solutions  
 Linda Bonehill – The Insolvency Service  
 Rachel Bowden – Bentley Jennison  
 Nicola Brennan – Ernst & Young  
 Anne Brook – Chelsea Building Society  
 Sandra Brookes – HM Revenue & Customs  
 Vivienne Brown – HM Revenue & Customs  
 Norman Buckley  
 Andrew Bull – Bell Microproducts Europe BV  
 Michael Bullock – NTR Plc  
 Ian Burns – Scottish Executive  
 Mike Burns – B'ham and Sandwell Internal Audit Consortium  
 Chris Butler – HM Treasury  
 Michael Butler – National School of Government  
 Alan Cambridge – HM Revenue & Customs  
 Lesley Cameron – Standard Life Group  
 Jason Carne – Cornwall County Council  
 Bernie Carr – Department of Constitutional Affairs  
 Paul Charlton  
 John Cheshire – GCHQ  
 Gin Chong  
 Nathalie Christie – Deloitte  
 Steve Clare – Salford City Council  
 Eileen Clarke – Legal Services Commission  
 Steve Connor – Mersey Internal Audit Service  
 Ruth Cook  
 Ronald Copeland – Scottish Widows  
 John Court – ICAEW  
 Neil Cowan – Control & Audit Projects  
 Gerry Cox – South West Audit Partnership  
 Maria Craig – English Partnerships  
 Alec Cross – HM Revenue & Customs  
 Jo Crosswell – Department for Work and Pensions  
 Simon D'Arcy – Portman Building Society  
 Michael Davidge – Debt Management Office  
 Alan Davies – HM Revenue & Customs  
 Brian Dawson – South Tyneside MBC  
 Andrew Day – First Choice Plc  
 Terry Day – Bentley Jennison  
 David Defroand – KPMG LLP

Bernard Devaney – Jobcentre Plus  
 Chris Dickens – PwC  
 Karen Dignan – Deutsche Bank  
 Stan Dormer – Mindgrove Ltd  
 Ian Douglas – Cooperative Bank Plc  
 Tony Dover – Countryside Agency  
 Sandra Eames – Department for Work and Pensions  
 Colin Edney – Warrener Stewart  
 John Evans  
 Geraldine Fahy – McClure Watters  
 Kevin Fairbotham – Royal Mail  
 Ken Farrell – Guinness UVD Ireland  
 Fiona Flear – NFU Mutual Group  
 Leo Fleming – Deloitte  
 Sue Fletcher – Department for Work and Pensions  
 Keith Foggon – DNS Ltd  
 Mark Forrester – Chiene and Tait Chartered Accountants  
 Mark Free – HM Revenue & Customs  
 Nigel Freeman – FACTS Ltd  
 Deborah Fry – Department for Constitutional Affairs  
 Martin Gilbertson – HBOS Plc  
 Sue Godfrey – Axa Sunlife Assurance Society  
 Rob Goodall – DIAN Internal Audit Services Ltd  
 Ros Goodall  
 Annabel Goulding – EMBL  
 Alison Haig – Co-operative group  
 Paul Haley – DARA  
 Jonathan Hart – Dept. of Environment, Transport and Regions  
 Jeff Head – Jeff Head Associates  
 Mike Healy – Scottish Executive  
 Rachael Henry – HFEA  
 Richard Herman  
 Andrew Hinder – Deloitte  
 Bob Holroyd – HBOS Plc  
 Nikki Holt – Aid to Industry  
 Elaine Horrocks  
 Steve Hutton – Metropolitan Police Authority  
 Stephen Hyndman – Bank of Ireland UKFS  
 Gary Ingamells – Department for Work and Pensions  
 Ruth Ireland – BDO Stoy Hayward LLP  
 Steve Ireland – Aviva Plc  
 Afzal Ismail – Orbit Housing Group Ltd  
 Karen Jamieson – TIAA Ltd  
 Trevor Jarvis – Foreign & Commonwealth Office  
 Chris Johnson – HM Revenue & Customs  
 Bob Jones – Fanfare Associates  
 John Jones – Ministry of Defence  
 Michelle Kavanagh – PwC  
 Ken Keating – Marie Curie Cancer Care  
 Bob Kent  
 Andrew Keogan – Talbot Underwriting  
 David Knowles – Yorkshire Building Society  
 Tracey Knox – Stroud and Swindon Building Society  
 Vicky Kubitscheck – Aegon UK Plc  
 Keith Labbett – British Waterways  
 Ralph Latham – Pendle Borough Council  
 Kerry Le Van – KPMG LLP  
 Alan Lees – RSM Robson Rhodes LLP  
 Martin Lenihan – FBD Holdings Ltd  
 Keith Lester – British Waterways  
 Nigel Lewis – Lloyds TSB Group Plc  
 Robert Mackenzie – Scott Moncrieff CA





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**The Institute of Internal Auditors  
UK and Ireland**

**[www.iaa.org.uk](http://www.iaa.org.uk)**

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