



Institute of Internal Auditors
UK AND IRELAND

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

Report and Accounts

6 months to 30 September 2010

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Directors' report

The Director has pleasure in submitting his annual report and the audited accounts for the six months ended 30 September 2010 for The Institute of Internal Auditors – UK and Ireland Limited.

Cessation of trade

The Institute of Internal Auditors – UK and Ireland Limited ceased trading on 30 September 2010 and transferred its business, assets and liabilities to the Chartered Institute of Internal Auditors.

The Chartered Institute of Internal Auditors commenced trading on 1 October 2010.

Principal activities

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 and the provision of opportunities for members to network, exchange information and share best practice.

Financial stewardship

Trading conditions in the six months under review were largely unchanged from the previous year. In consequence the executive focused on maintaining membership levels and containing costs. Operating income was £1,832,082 and direct expenses were £1,922,887. Overall, the accounts for the year show a deficit after tax of £85,012.

The financial position of the Institute remains strong. We have net assets of £1,332,617 and cash balances of £1,505,155 at 30 September. In addition, in the Council's opinion the market value of the Institute's leasehold property continues to exceed its carrying value.

Directors

The following Directors have held office since 1 April 2010:

S Blackburn	President and Chairman from 24/09/09 to 11/01/11
R Beattie	Retired 11 January 2011
M Craig	Retired 11 January 2011
P Haley	Retired 10 November 2010
P McDonald	Retired 11 January 2011
P McKenzie	Retired 10 November 2010
M Neate	Retired 11 January 2011
I Peters	
P Ratcliffe	Retired 11 January 2011
D Reynolds	Retired 11 January 2011
A Richmond	Retired 10 November 2010
N Rimmer	Retired 11 January 2011
V Watson	Retired 11 January 2011

No Director received a fee in the year (2009/10: £nil).

Control, monitoring and reporting

Council, through the Chief Executive, is responsible for ensuring that budgets and plans are prepared and that programmes of work are implemented. 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.

An annual risk assessment and audit plan is developed, 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 Council. The Risk Register and key strategic risks are reported to and considered by Council, via the Audit Committee. Council also receives regular reports on key performance indicators.

The members of the Audit Committee during the six months were: R. Beattie, P. Haley, C. Jones, P. Swift and V. Watson (Chairman). Throughout this time internal audit services were provided to the Institute by Moore Stephens LLP.

With regard to internal control, The Institute's culture, code of conduct and human resources policies support the achievement of its objectives, the management of risk and the internal control system. A Remuneration Committee sets ongoing 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.

Directors' responsibilities statement

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with the United Kingdom General Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the

state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Retirement of auditors

Warrener Stewart have agreed to retire as auditors to the Institute at the 2011 Annual General Meeting.

By Order of the Director



Dr Ian Peters, Chief Executive
13 Abbeville Mews
88 Clapham Park Road, London SW4 7BX
20 July 2011

Auditors' report

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

We have audited the financial statements of The Institute of Internal Auditors – UK and Ireland Limited for the six months ended 30 September 2010 which comprise the Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 purposes. 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 explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2010 and of its deficit for the six months then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Small Entities; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report.

A handwritten signature in black ink, appearing to read 'Colin Edney', with a long horizontal stroke underneath.

Colin Edney (Senior Statutory Auditor) for
and on behalf of Warrener Stewart
Chartered Accountants and Registered Auditor
Harwood House, 43 Harwood Road
London SW6 4QP
24 August 2011

Income and expenditure account

	Note	6 months to 30/9/10 £	12 months to 31/3/10 as restated £
Operating income		1,832,082	4,094,287
Direct expenses		(1,922,887)	(4,185,589)
Operating deficit	2	(90,805)	(91,302)
Interest receivable	3	1,793	4,741
Deficit on ordinary activities before taxation		(89,012)	(86,561)
Taxation: overprovision net of charge	5	4,000	3,288
Deficit on ordinary activities after taxation for the financial year	13	(85,012)	(83,273)

Statement of total recognised gains and losses

	Note	6 months to 30/9/10 £	12 months to 31/3/10 as restated £
Deficit for the period		(85,012)	(77,191)
Prior year adjustment	12	26,820	(6,082)
Total recognised gains and losses since last annual report		(58,192)	(83,273)

The cumulative effect of prior year adjustments as at 30 September 2010 is £20,738.

Balance sheet

	Note	As at 30/9/10 £	As at 30/3/10 as restated £
Fixed assets			
Tangible assets	6	877,003	895,754
Investment in subsidiary company	7	68	68
		<u>877,071</u>	<u>895,822</u>
Current assets			
Stock	8	8,169	12,983
Debtors	9	722,739	738,819
Cash at bank		1,505,155	1,448,838
		<u>2,236,063</u>	<u>2,200,640</u>
Less creditors: amounts falling due within one year	10	1,780,517	1,678,833
Net current assets		<u>455,546</u>	<u>521,807</u>
Total assets less current liabilities		<u>1,332,617</u>	<u>1,417,629</u>
Reserves			
Income and expenditure account	13	1,332,617	1,417,629

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Director for issue on 20 July 2011.



Dr I J Peters
Director
Company Registration No. 1474735

Cash flow statement

Reconciliation of operating surplus to net cash inflow from operating activities	6 months to 30/9/10 £	12 months to 31/3/10 as restated £
Operating deficit	(90,805)	(91,302)
Depreciation charge	33,294	70,538
Decrease/(increase) in stocks	4,814	(4,438)
Decrease/(increase) in debtors	16,080	(83,681)
Increase/(decrease) in creditors	105,684	(118,636)
Net cash inflow/(outflow) from operating activities	69,067	(227,519)
Returns on investments and servicing of finance		
Interest received	1,793	4,741
Tax paid	-	(6,712)
Capital expenditure		
Purchase of tangible fixed assets	(14,543)	(10,753)
Increase / (decrease) in cash	56,317	(240,243)
 Reconciliation of net cash flow to movement in net funds and analysis of change in net funds		
Net funds at 1 April 2010 / 1 April 2009		
Cash at bank	1,448,838	1,689,081
Increase / (decrease) in cash	56,317	(240,243)
Net funds at 30 September 2010 / 31 March 2010		
Cash at bank	1,505,155	1,448,838

Notes to the accounts

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 in accordance with the historical cost convention and in accordance with the Financial reporting Standards for Smaller Entities (effective April 2008).

Basis of preparation of the financial statements

The Institute of Internal Auditors – UK and Ireland Limited ceased trading on 30 September 2010 and the balance sheet presented in these accounts show the assets and liabilities that were transferred to the Chartered Institute of Internal Auditors after trading ceased.

The Chartered Institute of Internal Auditors commenced trading on 1 October 2010.

Basis of consolidation

The company has taken advantage of the exemption conferred by section 398 of the Companies Act 2006 and therefore no consolidated accounts have been prepared for the company and its subsidiary undertaking.

Accordingly the accounts present information relating to The Institute of Internal Auditors - UK and Ireland Ltd as an individual undertaking.

Operating income

Operating income comprises membership subscriptions, fees for courses and conferences, examination and open learning fees, and advertising revenue, all excluding VAT.

The following categories of revenue are recognised as income in the period to which they relate: personal subscriptions of voting members, students and affiliates; courses and conference fees; fees for services; advertising revenue. Examination and open learning fees are accounted for in the period in which the examination is sat. Non-refundable group scheme fees and magazine subscriptions are recognised in the period in which their renewal is due.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated 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 the estimated residual value of each asset, over their 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

Rentals payable under operating leases are charged to the profit and loss on a straight line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the full provision method. Deferred tax is recognised in respect of all timing 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.

2. Operating deficit

	6 months to 30/9/10 £	12 months to 31/3/10 £
The operating surplus is stated after charging:		
Depreciation of tangible fixed assets	33,294	70,538
Operating lease rentals:		
- land and buildings	-	-
- other assets	4,620	8,711
Auditors' remuneration	12,000	11,000

3. Interest

	6 months to 30/9/10 £	12 months to 31/3/10 £
Interest received and receivable	1,793	4,741

4. Directors

Total directors' emoluments, including pension contributions and other benefits, amounted to £66,750 (Prior year: Total directors' emoluments £174,499).

The emoluments, including pension contributions and other benefits, of the highest paid director amounted to £66,750 (Prior year: £106,386).

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (Prior year: 1).

5. Taxation	6 months to 30/9/10 £	12 months to 31/3/10 £
Corporation tax at 21% (Prior year: 21%)	5,000	10,000
Over provision in earlier years	(9,000)	(13,288)
	<u>(4,000)</u>	<u>(3,288)</u>

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

6. Tangible fixed assets

	Long leasehold property £	Furniture & fittings £	Other equipment £	Total £
Cost				
At 1 April 2010	993,148	226,067	55,143	1,274,358
Additions	-	2,615	11,928	14,543
Elimination of fully depreciated items	-	-	(12,250)	(12,250)
Disposals	-	-	-	-
At 30 September 2010	<u>993,148</u>	<u>228,682</u>	<u>54,821</u>	<u>1,276,651</u>

Depreciation

At 1 April 2010	252,386	84,305	41,913	378,604
Charge for year	9,931	16,184	7,179	33,294
Elimination of fully depreciated items	-	-	(12,250)	(12,250)
Disposals	-	-	-	-
At 30 September 2010	<u>262,317</u>	<u>100,489</u>	<u>36,842</u>	<u>399,648</u>

Net book value

At 30 September 2010	<u>730,831</u>	<u>128,193</u>	<u>17,979</u>	<u>877,003</u>
At 31 March 2010	<u>740,762</u>	<u>141,762</u>	<u>13,230</u>	<u>895,754</u>

7. Investment in subsidiary company

	As at 30/9/10 £	As at 30/3/10 £
100 ordinary shares of €1 each in IIA Training Limited, a company registered in the Republic of Ireland.	<u>68</u>	<u>68</u>

The company owns 100% of the ordinary share capital of its subsidiary company. The subsidiary company commenced trading on 1 April 2007. It provides member services in the Republic of Ireland and made a surplus of €42,218 in the 6 months to 31 September 2010. (Prior year: Deficit of €22,171). At 30 September 2010 share capital amounted to €100 (31/3/10: €100) and the deficit carried forward in reserves amounted to €22,406 (31/3/10: Deficit of €64,624).

8. Stock	As at 30/9/10 £	As at 30/3/10 £
Open learning study packs	8,169	12,983

9. Debtors	As at 30/9/10 £	As at 30/3/10 £
Fees receivable	488,628	494,923
Amounts owed by subsidiary company	62,762	48,097
Other debtors	171,349	195,799
	<u>722,739</u>	<u>738,819</u>

10. Creditors	6 months to 30/9/10 £	12 months to 31/3/10 as restated £
Trade creditors	61,779	115,286
Taxation and social security	124,789	128,708
Other creditors	156,376	231,747
Deferred income - learning and exam fees paid in advance	607,304	479,999
Deferred income - subscriptions paid in advance	508,662	590,618
Deferred income - course fees paid in advance	175,912	132,475
Deferred income - annual conference	145,695	-
	<u>1,780,517</u>	<u>1,678,833</u>

11. 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.

	As at 30/9/10		As at 31/3/10	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring				
Within one year to five years	-	9,240	-	8,045
After five years	-	-	-	-
	<u>-</u>	<u>9,240</u>	<u>-</u>	<u>8,045</u>

12. Prior year adjustment

A prior year adjustment arises in respect of changes to certain accounting policies in relation to income recognition and the release of previously deferred income that is no longer required. The areas of income affected are:

(a) Study programme fees

In earlier accounting periods, income from study programme fees was reflected in the accounting period in which it was invoiced. The accounting policy has been changed so that the income is now deferred and reflected in the accounting period in which the examinations are sat. Council considers this treatment to reflect a more representative view of the point at which income from these fees is earned.

(b) Group scheme fees

Fees paid by employers under group scheme arrangements had previously been deferred and the income released over the twelve months following the commencement of the scheme. The accounting policy has been changed in order to recognise such income on the commencement of each group scheme, being the point at which the income becomes non-refundable.

(c) Certificate programme fees

Certificate income relates to fees that have been invoiced and span services provided over a number of accounting periods. It is the policy of the Institute to defer certificate income at the point of sale and to release it at the stage that services are provided under the programme to each individual under that scheme. In reviewing accounting matters, previously deferred amounts have been identified that are no longer required, for example where individuals have subsequently left the scheme.

The prior year adjustment is made up as follows:	£	£
Net decrease in revenue for the year ended 31/03/2010		
Deferral of study programme fees	(29,168)	
Change to income recognition basis for group scheme fees	(2,866)	
Reversal of deferred certificate programme fees	25,952	
Net decrease in revenue for the year ended 31/03/2010		(6,082)
included within the 2010 deficit as restated in Note 13		

Net increase in revenue for the year ended 31/03/2009 and earlier

Deferral of study programme fees	(140,939)	
Change to income recognition basis for group scheme fees	130,217	
Reversal of deferred certificate programme fees	37,542	
Net increase in revenue for the year ended 31/03/2009		
and earlier, shown as the prior year adjustment in Note 13		26,820
Increase in reserves at 31/03/2010		20,738

The impact of the above changes on the results of the Institute is set out below:

	6 months to 30/9/10	12 months to 31/3/10 as restated
	£	£
Decrease in operating income and increase in deficit after taxation	(40,279)	(6,082)

13. Reserves

	£	£
At 1 April 2009 as previously stated		1,474,082
Prior year adjustment		26,820
At 1 April 2010 / 1 April 2009 as restated	1,417,629	1,500,902
Deficit for the year	(85,012)	(83,273)
At 30 September 2010 / 31 March 2010	1,332,617	1,417,629

14. Related party transactions

Material balances and transactions with related parties arising during the year were as follows:

		As at 30/9/10 £	As at 30/3/10 £
Debtor balances arising from the provision of funding for the wholly owned subsidiary IIA Training Ltd	Note 9	62,762	48,097

There were no trading transactions between the Institute and IIA Training Ltd.

	6 months to 30/9/10 £	12 months to 31/3/10 £
Transactions with related parties with:		
BHBi Consultancy Ltd		
Purchase of the time of training staff	1,602	11,217
Sale of advertising space in Internal Auditing magazine to BHBi Consultancy Ltd	4,320	7,920
Sale of training material to BHBi Consultancy Ltd	8,952	9,400

Mr P Haley is a director of BHBi Consultancy Ltd and was a director of the Institute to 10 November 2010.