

The Chartered Quality Institute  
**Annual Report 2016**

A professional portrait of Ian Mitchell, a middle-aged man with short brown hair, wearing a dark pinstriped suit jacket, a light blue and white striped shirt, and a patterned tie. He is looking slightly upwards and to the left against a dark background.

**“The CQI has established itself at the leading edge of the current management debate”**

Ian Mitchell | Photo: Marcus Harvey

# Chair's message

2016 saw the CQI make great strides forwards on behalf of the profession.

We started our new strategy period focused on building excellence in the profession and excellence within the CQI itself, adding to the progress made in the previous period and the requirements of members and wider stakeholders.

The Board's significant investment in the CQI strategy was marked in 2016 with the implementation of the improved CQI membership grade system, the launch of the new portfolio of CQI|IRCA certified training courses – both aligned to the CQI Competency Framework – and the introduction of a single website to improve our service for the profession. The CQI's ability to deliver these changes was supported by an improved executive organisation design and strengthened risk and project management to ensure that we continue to invest in the right things for the profession and see benefit realised.

I am very pleased that a more confident and outward-looking CQI influenced the Corporate Governance debate, partnering with the Institute of Directors and coinciding with the UK Government's focus on this topic in the autumn of 2016. I am equally pleased to see an increase in Corporate Partners supporting the CQI and benefitting from the professional standards, learning pathways and professional development. The register of CQI members saw significant change with the introduction of the new grading system and, building on the work completed by the CQI Standards Panel on the development of the 2015 version of ISO 9001, the transition of IRCA certified

auditors to the 2015 versions of the ISO 9001 and ISO 14001 standards commenced in earnest, reflected in the uptake in IRCA certified transition auditor training last year.

The financial results for 2016 are positive and provide confidence that the CQI has the foundation to invest and achieve its strategic objectives. Having budgeted to make a moderate deficit in 2016, the overall result was a strong net income of £79k, due to gains on our investments and a much smaller operating deficit than budgeted.

Of course, none of this would have been possible without the contributions of our executive teams in London and Tokyo, our passionate volunteer community, our advocate members and our partners. This progress is yours to celebrate and I thank you for your contributions.

Looking forward, the quality profession is facing its most strategically challenging time in memory, with Brexit, Industry 4.0 and the Corporate Governance agenda. In that context it is encouraging that the CQI strategy ensures we anticipate and respond to these significant changes through our collaboration with other bodies and the ongoing development of the CQI Competency Framework.

Growing the standing of our profession is a significant task and, while you can be sure that the CQI will continue to champion Quality worldwide, I urge you to play your part in promoting the value of the profession and of the CQI at every opportunity.



**Ian Mitchell, chair of the Board of Trustees**

# Trustees' report

## Report of the Trustees for the year ended 31 December 2016

The Board of Trustees of the Chartered Quality Institute ("the Institute") presents its annual report for the year to 31 December 2016 together with audited financial statements for the year.

### Our purpose and vision

The objectives of the Institute as stated in the Royal Charter are "to benefit the public by advancing education in, knowledge of and the practice of quality in industry, commerce, the public sector and the voluntary sectors". The Trustees have interpreted these in the following manner:

**Our purpose** as a global professional body is to advance the practice of quality management in all sectors.

**Our vision** is for a world in which all organisations optimise value for their stakeholders through excellence in Governance, Assurance and Improvement.

### Our principal activities and public benefit

The Trustees confirm they have referred to the Charity Commission's guidance on public benefit when reviewing the Institute's aims and objectives, planning future activities and setting the annual operating plan. We provide benefit through:

- The positive difference that quality professionals make to organisations in the public, private and not-for-profit sectors.
- Our maintenance and development of professional standards, Continued Professional Development ("CPD") and the code of conduct for CQI members and IRCA certificated management system auditors.
- Our development pathways delivered through the CQI|IRCA portfolio of certified training courses and examinations, and accredited qualifications.
- Our ability to influence policy and standards through our policy work.
- Our freely available information on [www.quality.org](http://www.quality.org)

### Our strategic objectives

2016 was the first year in a new five-year strategic period. This strategy was developed with consideration from the CQI Advisory Council in response to requirements from our key stakeholders:

- CQI members and IRCA auditors who seek: the profession in general, and membership of the CQI|IRCA in particular; to be better valued by employers and other professions; improved CPD support; and their professional body to promote quality management and influence externally.
- Employers of CQI members and auditors who seek: support in attracting and developing new entrants into the profession; improved business impact from the profession; and professional standards and associated learning to reduce the cost of developing their own assets.

In response, the CQI is pursuing two strategic objectives, as follows:

<b>Objective 1 – Excellence in the Profession</b> To lead a quality profession valued by employers as a business partner in delivering excellence in Governance, Assurance and Improvement	
<b>Critical Success Factors</b>	
<b>1.1 Employer Support</b>	We must have the support of senior Quality Professionals
<b>1.2 Quality Professional Support</b>	We must have buy-in from CQI and IRCA members
<b>1.3 Quality Professional Capability</b>	We must have Quality Professionals that meet the evolving needs of organisations
<b>1.4 Learning Provision</b>	We must have a supply of learning through competent learning providers that meets industry needs
<b>1.5 Evidence of Value</b>	We must evidence the value that the Quality Profession provides
<b>1.6 Other Professions</b>	We must have the understanding and respect of other professions, non-executive and executive committees
<b>Objective 2 – Excellence as a Professional Body</b> To align the CQI's resources to deliver Excellence in the Profession	
<b>Critical Success Factors</b>	
<b>2.1 Effectiveness</b>	We must have effective product and service delivery
<b>2.2 People Satisfaction</b>	We must have an engaged staff and volunteers committed to our vision and objectives
<b>2.3 Financial</b>	We must grow revenue and manage our change portfolio within our financial means

## Performance in 2016

### Objective 1 – Excellence in the Profession

#### 1.1 Employer Support

In 2016 the Institute recruited a new Executive Director of Commercial Partnerships, Vina Bongiorno, and commenced a review of our Corporate Partners product. We increased the number of Corporate Partners from 15 to 24, allowing us to help a growing range of organisations to develop quality management skills and providing them with access to a peer network and events. The Institute continues to value support of Corporate Partners in promoting the CQI and the benefits of excellence in Governance, Assurance and Improvement.

KPIs	2015	2016
Number of Corporate Partners	15	24

## I.2 Quality Professional Support

### CQI Membership

In 2016 we implemented the new CQI membership grade system, creating a structured pathway for practitioners and professional recognition at every stage of their career. In order to meet the new charter requirements agreed by a CQI Extraordinary General Meeting and the Privy Council in 2015, this change saw:

- The introduction of the Affiliate grade of membership which replaced the Associate grade.
- A change to chartered status post nominals from MCQI CQP / FCQI CQP to CQP MCQI / CQP FCQI reflecting the requirement to have chartered status in the first order of prominence.
- A change to the requirements for the Chartered Quality Professional qualification, which moved towards a competence-based assessment, reflecting the CQI Competency Framework, and focused on the application of knowledge and skills to provide value for organisations.

As expected, these changes resulted in the transformation of the composition of the CQI register. Individuals at the old Associate grade progressed to Practitioner (PCQI) grade or Member (CQP MCQI) grade, while some resigned their membership as a result of the post-nominal change.

### IRCA Auditor Certification

In 2016, the IRCA Auditor certification fell as a result of the withdrawal of one certification body from the IRCA Organisation Employing Auditors scheme. 2016 was the first of the three-year transition period to the 2015 versions of ISO 9001 and ISO 14001 and we saw the first IRCA certificated auditors make the transition to retain their certifications.

KPI	2015	2016
CQI Member Retention	92%	86%
IRCA Auditor Retention (ROW)	89%	84%
IRCA Auditor Retention (Japan)	90%	90%
Annual Net Growth in CQI membership	-3.4%	-4%
Annual Net Growth in IRCA membership (ROW)	5.45%	-7.8%
Annual Net Growth in IRCA membership (Japan)	-2.1%	1.2%
CQI member NPS*	Not available	-8
IRCA Auditor NPS*	Not available	7
IRCA Japan Auditor NPS*	Not available	Not available

\* Net Promoter Score

### 1.3 Quality Professional Capability

In 2016 the Institute implemented a new single system for managing Continuing Professional Development (CPD) for both CQI members and IRCA certificated auditors, based on the CQI Competency Framework. CPD continued to be supported through:

- The publications provided by the CQI Quality World and Content Team
- The events provided by the CQI branches
- The events and initiatives provided by CQI special interest groups
- The events and initiatives provided by CQI Next Generation Network

### 1.4 Learning Provision

In 2016 the CQI implemented a new single portfolio of training courses at three levels: Foundation, Practitioner and Professional, delivered through the CQI's Approved Training Partners. This new portfolio provides a learning pathway for quality and non-quality professionals that reflects the CQI Competency Framework and supports the knowledge requirements for progression through CQI membership and IRCA auditor certification grades.

This new portfolio consolidates the CQI Training, IRCA Certified Training and CQI Education to provide a clear and flexible offering for individuals and employers. From January 2017 the Institute ceased offering CQI Training and all training courses will now be provided by our Approved Training Partners.

Delegates on CQI/IRCA certified auditor training courses increased from approximately 60,000 in 2015 to almost 85,000 in 2016 as a result of the new ISO 9001:2015 and ISO 14001:2015 auditor training courses in support of the transition to these new standards.

The current CQI Certificate and Diploma will continue to operate until 2020 to allow time for all candidates to complete their courses. These qualifications will remain valid, and will continue to meet the knowledge requirement for the relevant grade of CQI membership.

The CQI commenced its support of a number of industry consortia in the development of Trail Blazer apprenticeships in quality management and business improvement, and these initiatives will continue into 2017.

KPI	2015	2016
IRCA Delegates	60,251	84,192
CQI Education Delegates	956	1,099
CQI Training Delegates	913	640

## 1.5 Evidence of Value

The 2016 CQI Leadership Conference was held in London and attended by 300 delegates with a focus on industry applications relating to Governance, Assurance and Improvement, and the challenge of developing the new generation of quality professionals.

The World Quality Day 2016 theme of 'Making Operational Governance Count' supported our policy work with the Institute of Directors. Over 1,000 organisations took the opportunity to focus on the value of excellence in Governance, Assurance and Improvement.

The CQI supported the Crossrail Learning Legacy with a detailed report on Quality Professional Resourcing and Development.

## 1.6 Other Professions & Policy

After an interim period in 2016 and following an open recruitment process, we appointed Estelle Clark as Executive Director of Policy. She will take forward both our professional policy and external policy agenda. In 2016 the Institute focused on Governance, responding to the Government's desire to improve Corporate Governance and partnering with the Institute of Directors on research leading to the Good Governance Report. The CQI sits on the Institute of Directors Good Governance Advisory Panel and is working to have operational Governance, Assurance and Improvement linked with the corporate governance agenda.

The CQI continued to sit on the United Kingdom Accreditation Service ("UKAS") Council and Forum advising UKAS on plans and strategy, including the impact of Brexit on the standards and conformity assessment.

The CQI standards panel expanded its focus from the ISO 9000 series to include the new ISO OHS standard, supporting British Standards Institution ("BSI") standards as part of this development process.

## Objective 2 – Excellence as a Professional Body

### 2.1 Effectiveness

**Corporate Governance** – In response to a governance review completed previously, the Board established a Finance and Remuneration Committee to ensure a satisfactory system for financial probity, internal control and compliance. In December 2016 the Board reviewed the Institute's wider governance structure and agreed a need for improvement with the support of the Advisory Council. This aspect will be progressed as part of the 2017 operating plan.

**Operational Governance** – A new executive organisation design was implemented to support the strategic objectives, which resulted in a new senior management team structure with the following directorates: Policy, Operations, Commercial Partnerships, Capability & Change and Finance & Business Management. A new framework for change and project management was implemented to ensure that investment is aligned with threat, opportunity and our strategic objectives. A new single website [www.quality.org](http://www.quality.org) replaced the previous CQI and IRCA websites to better serve our CQI and IRCA members and reflect a single profession operating within the scope of Governance, Assurance and Improvement.

### 2.2 People Satisfaction

Recognising that people are fundamental to our performance, we replaced the Institute's annual staff satisfaction survey with a monthly staff satisfaction measure in order to understand and respond to people threats and opportunities with agility. This informed improvements in communication, project management and communication skills during the year. We also recognise that it is vital our people understand that value of their work for the Institute and in 2016 we continued regular lunch time seminars and introduced site visits to bring the voice of the member and industry into the organisation, to underline the profoundly positive impact that our staff are having for the profession and for our members.

The Institute also recognises that its purpose and strategic objectives can only be progressed with the support of our wider volunteer member and advocate base. Therefore, in December 2016 we conducted a volunteer satisfaction survey to learn how satisfied this community is in its work with the CQI. The results of this survey indicated that we have an opportunity to provide much improved direction, alignment and support of our member networks and governance groups, and addressing this opportunity has been included in the 2017 operating plan.

KPI	2015	2016
Staff Satisfaction	n/a	6.85 (average score out of 10)
Volunteer Satisfaction	n/a	7.35 (average score out of 10)

## 2.3 Financial Review

The group continues to post solid financial performance in 2016, achieving a surplus of £79k.

Changes in the composition of the CQI membership following the grade restructure resulted in a small dip in Membership income from £3.39m last year to £3.28m. This was less than expected.

Learning and Development had another good year, with income reaching almost £2m. IRCA Training had a record year, buoyed by demand for transition training for the 2015 versions of the ISO 9001 and 14001 standards. The number of people attending IRCA certified training courses rose by 40% to over 84,000. However, CQI Training activity fell as it was wound down before the introduction of the new CQI|IRCA Approved Training Partner portfolio of training courses launched in January 2017.

The results include figures from two wholly owned trading subsidiaries. IRCA Japan KK performed well, delivering a £0.24m royalty to the Institute, a 33% increase from 2015 following a boost from transition training income. CQI Services Limited suffered in 2016 due to the continued decline in demand for print advertising in the Quality World magazine and lower advertising income from the Group's Jobsite. Thus, its profits and gift aid to the Institute fell to £0.03m, down from £0.07m in 2015.

Overall reserves rose to £3.10m. Net assets include an investment portfolio valued at £1.33m at the year end and cash balances in excess of £1.5m. The Institute has maintained its strong financial position and continues to look to its future with confidence.

Having reviewed the financial position, the Trustees have a reasonable expectation that the Institute has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

### Investment policy and performance

The Institute operates a low risk investment policy designed to deliver income while protecting the investment funds over the longer term. This is consistent with the provisions of the Royal Charter.

The high levels of volatility and continuing uncertainty around Brexit and the Trump administration result in a challenging environment to manage investments. The Institute is a long-term investor and the value of its investments remains significantly above its original investment.

Funds are invested in a Common Investment Fund ("CIF"), the Newton Global Growth and Income Fund for Charities, and there are no specific restrictions on investments. The return on this investment was in line with last year. After a year of significant political uncertainty, the value of our investments ended the year up 10% at £1.33m. The continued proactive approach to cash management maximised interest received in a difficult environment for savers. The cash balance has fallen to £1.53m at the end of 2016 due to significant investment, £0.58m, in capital projects during the year.

The newly formed Finance and Remuneration Committee is now responsible for reviewing investment performance and policy. The policy was reviewed and amended during the year, separating it from the reserves policy, allowing more flexibility and clarifying the requirements for keeping cash in different institutions.

## Reserves policy

The Finance and Remuneration Committee also took on responsibility for and reviewed the Reserves policy in 2016, including a benchmarking exercise with other professional bodies. The policy has been amended to require a minimum of three months of budgeted annual operating costs to be retained as free reserves. The Trustees consider that this level will provide sufficient funds to respond to any unexpected events, with the previous minimum requirement of six months being over-prudent and potentially restrictive to investment opportunities.

The balance held as unrestricted reserves at 31 December was £3.10m. £1.65m of this was regarded as free reserves, after allowing for funds tied up in tangible fixed assets (£0.8m) and other designated reserves including funds for Learning & Development (£0.2m) and IT projects (£0.4m). £1.65m equates to approximately three and a half months' worth of budgeted 2017 operating costs, which was comfortably higher than the minimum requirement of three months (being £1.40m).

KPI	2015	2016
Revenue	£5.6m	£5.3m
Cost	£5.4m	£5.4m
Gains	-	£0.2m
Surplus	£0.2m	£0.1m
Reserves	£3.0m	£3.1m

## Risk Management

Good risk management is fundamental to the continued work and sustainability of the Institute. We identify and manage risks which could adversely impact the achievement of our strategic purpose, and determine the calculated risks we need to take in order to succeed.

The Institute operates a formal framework for the management of risk, taking the view that risk can be positive (opportunity) or negative (threat). The Institute operates strategic, operational and compliance risk registers which are informed by the Institute's strategic objectives, performance, voice of our stakeholders, regulatory environment and analysis of the external environment.

The Board delegates day-to-day responsibility for risk management to the Senior Management Team, who are responsible for identifying and evaluating risks that relate to their areas and activities, implementing appropriate controls and for ongoing monitoring. The Board reviews the Institute's strategic risk register and the associated project portfolio at each board meeting, and reviews the Institute's compliance risk register through the Finance and Remuneration Committee.

## Business Risks and Mitigations

The Board considers that the current strategic risk landscape for the Institute is as follows, and has approved the following responses:

<b>Risk – Excellence in the Profession</b>	<b>Response</b>
Opportunity – Grow employer support for CQI quality professional standards and membership.	We have commenced a project to improve the Corporate Partner product, process and resourcing to support scalability.
Opportunity – To improve the professional standards in the Business Improvement area of the CQI Competency Framework.	We have commenced a project to update the CQI Competence Framework, Training Portfolio and routes into Chartered Status for Business Improvement practitioners.
Threat – Of impact of ISO 9001 and ISO 14001 transition if IRCA auditors do not or cannot meet IRCA transition requirements.	We have accepted that transition will result in a loss of some certificated auditors who do not meet IRCA's transition requirements and account for this in future forecasts.
Opportunity – To improve evidence of value of the quality profession.	We have commenced a project to implement annual Quality Awards.
<b>Risk – Excellence as a Professional Body</b>	<b>Response</b>
Opportunity – To align governance and panel structure to better support CQI strategy.	We have commenced a project to align our governance and panel structure with strategy.
Opportunity – To improve the consistency, efficiency and effectiveness of our business processes.	We have commenced the upgrade of our management system in line with ISO 9001: 2015.
Threat – Of inadequate data protection arrangements leading to lack of compliance and negative impact on customers and other stakeholders.	We operate a compliance risk register and have commenced a project to upgrade arrangements to comply with European Union General Data Protection Regulation ("EUGDPR").
Threat – Of financial impact of economic downturn and impact on staffing resulting from Brexit.	We will monitor the situation during the exit negotiations at this stage.

## Future Plans

The 2017 operating plan builds on the progress in 2016 against the strategic objectives. The Institute's change portfolio is a response to the Institute's risk profile outlined above and the following activities feature in our forwards plans.

### Excellence in the Profession

To grow the number of organisations supporting CQI/IRCA professional standards and learning and development through our Corporate Partner scheme.

To grow the number of qualified CQI members and certified IRCA auditors to ensure grow capability for industry, through retention and acquisition activity.

To improve our support of business improvement practice through review of the CQI Competency Framework.

To evidence the value of quality management and quality profession through the introduction of annual quality awards.

To support the improvement of governance within the UK and globally through our support of UK and ISO initiatives in this area.

### Excellence as a Professional Body

To implement an improved corporate governance, advisory panel and voluntary committee structure responding to the 2016 governance review.

To improve the consistency and efficiency of our operational governance through the achievement of the 2015 version of the ISO 9001 standard.

To improve our management of data through compliance with EUGDPR.

## Structure, governance and management

### Charitable status and administrative details

The Institute is a registered charity (no. 259678) under the Charities Act 2011, and its expenditure is directed in furtherance of its charitable objects. The Institute was granted a Royal Charter on 23 November 2006. Its registered office is as shown on page 18. The current Trustees, and any past Trustees who served during the year, are listed on page 32 and the names of the senior executive staff and the external advisers of the charity are on page 34.

### Board of Trustees

The Trustees are responsible for directing the Institute's activities and for overseeing the management of the affairs of the Institute; they delegate day-to-day management of the organisation to the chief executive and the senior management team. The Board acts on advice and information from regular meetings with the chief executive and senior management team. The members of the Board are the directors of the Institute and the Trustees of the charity.

### Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and charity and of the net movement in funds of the group and charity for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and charity will continue in operation.

## **Trustees' responsibilities (continued)**

The Trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the group and charity, and enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations and the provisions of the Royal Charter.

The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Trustees is aware at the time of the report:

- There is no relevant audit information of which the charity and the group's auditors are unaware.
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the group and charity's financial information included on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

## **The Board and Committees:**

### **The Board and its effectiveness**

The Board is responsible for directing overall group strategy, major capital projects, budgets, financial control and risk management. It reviews operational performance regularly to satisfy itself that the activities of the Institute are in accordance with the agreed strategic direction and ensures that the executive management has the capacity and resources to meet the Institute's objectives. The Board meets four times a year and is provided with a monthly written report from the CEO.

The composition of the Board is set out on page 32 and reflects the competences and experience defined in the CQI Board competence framework. New Trustees complete an induction programme covering trustee responsibilities as well as the Institute strategy and objectives, and periodic refresher training is provided. The CQI board competence framework identified the need for specific business and financial skills which were addressed with the addition of Mike Turner and previously Louise Kavanagh as part of the Advisory Council and Nominating Committee process.

Board effectiveness is reviewed after each meeting by the Board, and individual trustee and CEO performance is reviewed annually by the chair. The Board has identified the need to formalise the management of conflict of interest as a result of the most recent governance review, and after Board agenda items in 2016 which considered Charity Commission guidance and reports into recent governance failures in charities, such as Kids Company. As a result a new conflict of interest policy and register has been approved, and a new Finance and Remuneration Committee was established. Improved board paper templates were introduced in 2016 to make the review of performance, risk, change and policy more effective.

### **The Advisory Council and Nominating Committee**

The Charter and Bye-laws grant specific powers and duties to the Council of the Institute to elect up to 17 Trustees through the CQI Nominating Committee. The Advisory Council comprises a representative of each region, nationally elected members and co-opted members.

Trustees are elected by the CQI Advisory Council based on recommendations from the CQI Nominating Committee which comprises members from the Board and Advisory Council.

### **Finance & Remuneration Committee**

The Finance and Remuneration Committee is drawn from members of the Board and ensures the system of internal control is satisfactory to deliver regulatory compliance, financial probity and value for money, including: review and challenge of financial plans, budgets and financial statements; oversight of the annual financial audit; review of investment policy and performance; review of reserves policy; and CEO and staff remuneration.

## Remuneration Policy

The Institute's policy is to position its overall reward package at market rate for membership bodies of a similar size, and to encourage and enable the individual progression and career development of staff based on performance. Recruitment and reward are based on potential and performance only, and policies and training are in place to ensure we are unbiased and inclusive.

The Finance & Remuneration Committee undertake an annual salary review based on the financial status of the Institute, cost of living and market rates. Once approved by the Board the increase is applied to all employees at all levels. In addition, individual salary increases are offered during the year, based on performance against objectives (including behavioural) following a business case process. The Institute did not award any bonuses for the 2016 period.

The Institute has decided to participate in the Voluntary Gender Equality Reporting initiative. Calculated in February 2017, the current mean gender pay gap is 8%, and the median gender pay gap is 12%. The Finance & Remuneration Committee will monitor equal pay and diversity more generally within the context of remuneration as part of their remit.

## Regional Operating Panel

The Regional Operating Panel (ROP) runs the CQI regional and branch network and is made up of regional representatives. The ROP made significant improvement to the operation of the CQI branch network in 2016 with the improvement of its suite of governance documents and the introduction of a 'branch in a box' to provide branch committees with the material and guidance required to operate an effective branch.

## The CQI Standards Panel

The CQI Standards Panel completes work items to influence BSI and ISO standards development on behalf of the profession and focuses on supporting the development of the new ISO occupational health & safety standard and the review of the ISO 19011 management systems audit standard in addition to ongoing work with the ISO 9000 series.

## Group structure

The charity has two active wholly owned subsidiary companies: IRCA Japan Kabushiki Kaisha is a company registered in Japan. Its principal activity is to provide membership services to our members in Japan and to promote the Institute's auditor certification services offered in Japan. Japan outperformed its budgeted income, even before exchange rate gains due to the weakening pound, through strong membership renewals and higher than expected new member acquisition. CQI Services Limited, company registration number 4572473. The company's principal activities relate to securing advertising in the Institute members' magazine and helping members find new jobs through the Institute's Jobsite.

## Financial Statements

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Institute's Royal Charter, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2015) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The Institute does not generate income through fundraising, therefore is not in breach of the Information Commissioner's Office's requirements in regards to fundraising.

By order of the Board of Trustees,



Ian Mitchell

Chair of the Board of Trustees

Date: 8<sup>th</sup> June 2017

# Independent auditor's report to the Trustees of the Chartered Quality Institute

We have audited the financial statements of The Chartered Quality Institute for the year ended 31 December 2016 which comprise Consolidated Statement of Financial Activities, the Charity and Group Balance Sheet, the Consolidated Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an Auditors' 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 charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees Report, the Trustees are responsible for the preparation of financial statements, which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charity's and group's affairs as at 31 December 2016, and of its net movement in funds, for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- Have been prepared in accordance with the requirements of the Charities Act 2011.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- The information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- Sufficient accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

**haysmacintyre**  
26 Red Lion Square  
Statutory Auditor  
London WC1R 4AG



Date: 8<sup>th</sup> June 2017

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

# Consolidated Statement of Financial Activities

## for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Income from:</b>			
<b>Charitable activities</b>			
Membership Services		3,280	3,390
Learning & Development		1,982	2,122
Awareness		2	9
<b>Investments</b>	3	52	52
<b>Total</b>		<b>5,316</b>	<b>5,573</b>
<b>Expenditure on:</b>			
<b>Charitable activities</b>			
Membership Services	4	3,298	3,332
Learning & Development	4	1,911	1,839
Awareness	4	196	179
<b>Total</b>		<b>5,405</b>	<b>5,350</b>
<b>Net (expenditure)/income before gains on investments</b>		<b>(89)</b>	<b>223</b>
Net gains on investments	13	126	22
Net gains on foreign exchange		42	-
<b>Net income</b>		<b>79</b>	<b>245</b>
<b>Reconciliation of funds</b>			
Funds brought forward		3,016	2,771
<b>Total unrestricted funds carried forward</b>	19	<b>3,095</b>	<b>3,016</b>

There are no total recognised gains or losses other than those recognised above. All activities are continuing.

All activities (income and expenditure) in both years are unrestricted and therefore a comparable statement of financial activities is not required.

The notes on pages 18 to 31 form part of these financial statements.

# Balance Sheet

as at 31 December 2016

	Note	Group		Institute	
		2016	2015	2016	2015
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible fixed assets	11	262	19	262	19
Tangible fixed assets	12	519	280	517	275
Investments	13	1,332	1,206	1,340	1,214
		<b>2,113</b>	<b>1,505</b>	<b>2,119</b>	<b>1,508</b>
<b>Current assets</b>					
Debtors	14	927	689	1,106	840
Cash at bank and in hand		1,530	1,905	1,029	1,515
		<b>2,457</b>	<b>2,594</b>	<b>2,135</b>	<b>2,355</b>
<b>Creditors: amounts due within one year</b>					
Creditors	15	1,475	1,083	1,288	942
		<b>1,475</b>	<b>1,083</b>	<b>1,288</b>	<b>942</b>
<b>Net current assets</b>		<b>982</b>	<b>1,511</b>	<b>847</b>	<b>1,413</b>
<b>Net assets</b>		<b>3,095</b>	<b>3,016</b>	<b>2,966</b>	<b>2,921</b>
<b>Total funds</b>					
Designated funds	19	1,444	1,587	1,442	1,587
General funds	19	1,651	1,429	1,524	1,334
<b>Total unrestricted funds</b>		<b>3,095</b>	<b>3,016</b>	<b>2,966</b>	<b>2,921</b>

These accounts were approved by the Board and authorised for issue on 8<sup>th</sup> June 2017 and were signed on its behalf by:



Ian Mitchell, chair of the Board of Trustees

The notes on pages 18 to 31 form part of these financial statements.

# Consolidated statement of cash flows

## for the year ended 31 December 2016

Note	2016 £'000	2015 £'000
<b>Cash flows from operating activities:</b>		
Net cash provided by operating activities	111	646
<b>Cash flows from investing activities:</b>		
Dividends and interest from investments	52	52
Spend on internally generated intangible assets	(243)	(19)
Purchase of tangible assets	(335)	(145)
Loss on disposal of tangible assets	(2)	-
Purchase of investments	-	(52)
<b>Net cash used in investing activities</b>	<b>(528)</b>	<b>(164)</b>
<b>Change in cash in cash equivalents in the reporting period</b>	<b>(417)</b>	<b>482</b>
Cash in cash equivalents in the reporting period	1,905	1,423
Exchange gains on cash and cash equivalents	42	-
<b>Cash and cash equivalents at end of reporting period</b>	<b>1,530</b>	<b>1,905</b>
<b>Reconciliation of net income to net cash flow from operating activities</b>		
<b>Net income for the reporting period (as per the Statement of Financial Activities)</b>	<b>79</b>	<b>245</b>
<b>Adjustments for:</b>		
Depreciation charges	94	268
(Gains)/losses on investments	(126)	(22)
(Gains)/losses on exchange	(42)	-
Dividends and interest from investments	(52)	(52)
(Increase)/decrease in debtors	(236)	286
Increase/(decrease) in creditors	394	(79)
<b>Net cash provided by operating activities</b>	<b>111</b>	<b>646</b>
<b>Analysis of cash and cash equivalents</b>		
Cash in hand	1,530	1,905
<b>Total cash and cash equivalents</b>	<b>1,530</b>	<b>1,905</b>
The notes on pages 18 to 31 form part of these financial statements		

# Notes to the financial statements

## I. Accounting policies

The principle accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

### Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention modified to include the recognition of investments measured at fair value, which is consistent with the prior year. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities ("The SORP"), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ("FRS 102") and the Charities Act 2011.

The Chartered Quality Institute ("The Institute") meets the definition of a public benefit entity under FRS 102.

### General information

The Institute is a charity registered in England and Wales (charity number 259678). The Institute's registered office address is 2nd Floor North, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB.

### Critical Accounting Judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. In the application of the accounting policies, Trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects current and future periods.

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

### Basis of consolidation

The group accounts include the results of the Institute's subsidiaries: CQI Services Ltd and the International Register of Certificated Auditors Japan Kabushiki Kaisha ("IRCA Japan KK"). A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiaries comply with the same accounting policies as the Institute and have been consolidated on a line by line basis. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The Institute has taken advantage of the exemption from the SORP (FRS102) from disclosing its individual statement of financial activities. The gross income of the Institute for the year was £4.84m (2015: £5.16m) and its result for the year was a net income surplus of £225k (2015: £235k).

### Foreign currency

i) Functional and presentation currency

The group financial statements are presented in pound sterling and rounded to thousands. The Institute's functional and presentation currency is the pound sterling.

---

# Notes to the financial statements

## ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at balance sheet date. Differences are taken to the income and expenditure account.

## iii) Translation

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings are translated at the exchange rates ruling at the year-end.

## Going concern

The Trustees consider there are no material uncertainties about the Institute and Group's ability to continue as a going concern. The Trustees have reviewed the circumstances of the Institute and Group and consider that adequate resources continue to be available to fund their activities for the foreseeable future. The Trustees are of the view that the Institute and Group are a going concern.

## Income

All income is recognised once the Institute and Group has entitlement to income, it is probable that income will be received and the amount of income receivable can be measured reliably. Income of the Institute is, where applicable, included net of Value Added Tax ("VAT") and is allocated to the period to which it relates, carrying forward that part of the income relating to future accounting periods.

Income from charitable activities is recognised as earned as the related services are provided. Income from other trading activities is recognised as earned as the related goods or services are provided. Investment income is recognised on a receivable basis and the amounts can be measured reliably. Dividends are recognised once the dividend has been declared and notification has been received the dividends are due.

## Expenditure

Liabilities are recognised as expenditure as soon as there is legal or constructive obligation committing the Institute and Group to that expenditure, it is probable that settlement will be required and the amount of obligation can be measured reliably. Expenditure is recognised on an accruals basis as a liability is incurred, inclusive of VAT, which cannot be recovered.

All of the Institute's expenditure is classified as expenditure on charitable activities and allocated between activity streams. Expenditure is allocated to the particular activity where the cost relates directly to that activity. The cost of overall direction and administration of each activity, known as "support costs" and comprising the salary and overhead costs of the central function, is apportioned based on staff time attributable to each activity.

Support costs also include governance costs, which comprise organisational administration and compliance with constitutional and statutory requirements. The allocation of support and governance costs is analysed in notes 5 and 6.

## Employee benefits

Short term benefits including holiday pay are recognised as an expense in the period in which the service is received.

Termination benefits are accounted for on an accrual basis and in line with FRS 102.

The Institute contributes to group personal pension schemes, the assets of which are administered by Aviva, and Suffolk Life. They are defined contribution schemes. All contributed costs are accounted for on the basis of charging the cost of providing pensions over the period when the Institute and Group benefits from the employees' services. The Institute and Group has no further liability under the scheme.

## Leasing and hire purchase commitments

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term. The Institute holds no assets under finance leases or hire purchase contracts.

---

# Notes to the financial statements

## Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Product development – three to five years.

Where factors, such as changes in market demand or price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when all the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use.
- Management intends to complete the product and use or sell it.
- There is an ability to use or sell the product.
- It can be demonstrated how the product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available.
- The expenditure attributable to the product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as they are incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

## Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. The minimum threshold for capitalisation is £1,000. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- Improvements to premises – over the term of the lease.
- Office equipment and furniture – five years.
- Computer equipment and software – three years.

## Investments

Investments are a form of basic financial instrument and are initially shown in the financial statements at fair value. Movements in the fair values of investments are shown as net gains and losses in the Statement of Financial Activities.

Profits and losses on the realisation of investments are shown as realised gains and losses in the Statement of Financial Activities. Net gains and losses on investments are calculated between sales proceeds and their opening carrying values or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

---

# Notes to the financial statements

## Financial instruments

The Group has chosen to adopt Section 11 of FRS 102 in respect of financial instruments.

### i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction value and subsequently measured at amortised cost. Other financial assets, including investments, are initially measured at fair value. Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. A specific provision is made for debts for which recoverability is in doubt.

### ii) Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

### iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## Provisions

Provisions are recognised where the Institute has a present legal or constructive obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Provisions are measured at the present value or the expenditures expected to be required to settle the obligation.

## Fund accounting

Unrestricted funds are those funds available to the Institute and Group for its general purposes. They include funds designated (Note 19) by the Trustees for particular purposes where their use remains at the discretion of the Trustees. It is the policy of the Trustees to retain in unrestricted funds, amounts which in their judgement, can help to mitigate the short term effects of income volatility; and retain as long term investment funds to generate sufficient income to meet current and future operational activities of the charity. The Group does not hold any restricted funds. Further information is available in the reserves section of the Trustees' report.

# Notes to the financial statements

## 2. Trading activities of subsidiary undertakings

The Institute has two wholly owned trading subsidiaries. A summary of their trading results is shown below.

CQI Services Limited is incorporated in England and Wales, registered number 04572473. Its registered office is 10 Furnival Street, London, EC4A 1AB. The principal activity of the company is the generation of advertising revenue placed in the Institute's members' magazine and helping members find new jobs through the Institute's Jobsite. Income and expenditure are included in Membership Services in the group financial statements. All profits are gift aided to the Institute.

IRCA Japan KK is incorporated in Japan, registered number 0100-01-130705. Its registered office is Burex Kojimachi 8F, 3-5-2 Kojimachi, Chiyoda-ku 102-0083 Tokyo, Japan. The principal activity of the company is to provide local marketing, certification and administration services to IRCA for its auditors in Japan. The income and expenditure of the company has been included under charitable activities of Membership Services in the group financial statements. IRCA Japan KK pays an annual royalty to the Institute.

	CQI Services Limited 2016 £'000	IRCA Japan KK 2016 £'000	Total 2016 £'000	Total 2015 £'000
<b>Summary profit &amp; loss accounts:</b>				
Turnover	161	738	899	678
Operating costs	(134)	(481)	(615)	(421)
Operating profit	27	257	284	257
Interest receivable	-	-	-	-
Profit on ordinary activities before taxation	27	257	284	257
Taxation	-	(3)	(3)	(3)
Profit on ordinary activities after taxation	27	254	281	254
Gift aid/Royalty to parent charity	(27)	(244)	(271)	(245)
<b>Retained in subsidiary</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>9</b>
<b>The assets and liabilities of the subsidiaries were:</b>				
Current assets	94	548	642	498
Current liabilities	(84)	(419)	(503)	(392)
Total net assets	10	129	139	106
<b>Aggregate share capital and reserves</b>	<b>10</b>	<b>129</b>	<b>139</b>	<b>106</b>

# Notes to the financial statements

## 3. Investment income

	2016 £'000	2015 £'000
Bank deposit interest	13	14
Dividend income from shares listed on the London Stock Exchange	39	38
<b>Total</b>	<b>52</b>	<b>52</b>

## 4. Total resources expended

	Staff costs £'000	Other direct activity costs £'000	Support costs £'000	Total 2016 £'000	Total 2015 £'000
<b>Charitable activities</b>					
Membership Services	999	930	1,369	3,298	3,332
Learning & Development	368	981	562	1,911	1,839
Awareness	71	54	71	196	179
Support Costs	1,011	991	(2,002)	-	-
<b>Total charitable costs</b>	<b>2,449</b>	<b>2,956</b>	<b>-</b>	<b>5,405</b>	<b>5,350</b>
Total charitable costs 2015	2,507	2,843	-		5,350

Support costs totalling £2,002,422 (2015: £1,775,686) have been allocated across the activities. These include costs associated with IT, HR, finance, property and other central services across the Group. The costs have been allocated based on time spent by departments supporting the various activities.

## 5. Support costs

	Staff costs £'000	Premises & office costs £'000	Resources £'000	Information Technology £'000	Governance £'000	Total 2016 £'000	Total 2015 £'000
Membership Services	691	292	87	213	86	1,369	1,244
Learning & Development	284	120	36	87	35	562	474
Awareness	36	15	5	11	4	71	58
Total support costs	1,011	427	128	311	125	2,002	1,776
Total support costs 2015	848	521	103	211	93		1,776

# Notes to the financial statements

## 6. Governance

	<b>2016</b>	<b>2015</b>	
	<b>£'000</b>	<b>£'000</b>	
Meetings and travel expenses	19	21	
Audit fees	18	18	
Legal and professional	88	54	
<b>Total</b>	<b>125</b>	<b>93</b>	

## 7. Net expenditure resources for the year

The net outgoing resources for the year are stated after charging:

	<b>2016</b>	<b>2015</b>	
	<b>£'000</b>	<b>£'000</b>	
Depreciation	94	268	
Operating lease rentals for land and buildings	335	281	
Auditor's remuneration - External audit (excludes VAT)	18	17	
Auditor's remuneration - Other services (excludes VAT)	-	1	
Overseas taxation	3	1	

# Notes to the financial statements

## 8. Staff costs

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	1,922	1,937
Social security costs	208	226
Pension costs	139	158
Termination payments	13	16
Other staff costs	230	170
<b>Total</b>	<b>2,512</b>	<b>2,507</b>
Other staff costs includes staff training, welfare and recruitment and fees for agency staff.		
£63,758 of staff costs have been capitalised during 2016 (2015: £nil), for staff time spent exclusively on the Product Development and Website projects.		
	<b>2016</b>	<b>2015</b>
The average monthly number of employees during the year was as follows:		
Number of employees involved in charitable activities:		
Membership	24	21
Learning & Development	10	8
Communications	-	10
Awareness	1	1
Number of employees involved in non-charitable activities:		
Support	16	9
<b>Total</b>	<b>51</b>	<b>49</b>
The number of employees whose emoluments fell into the following bands were:		
	<b>2016</b>	<b>2015</b>
£60,001 – £70,000	1	1
£80,001 – £90,000	1	2
£90,001 – £100,000	1	1
£100,001 – £110,000	2	-
£140,001 – £150,000	-	1

The Institute made contributions of £60,586 (2015: £57,605) to the money purchase personal pension schemes of five (2015: five) employees whose emoluments exceeded £60,000.

The Institute considers its key management personnel comprise the Trustees and the Senior Management Team ("SMT"). The Trustees provide their time free of charge. The total remuneration, employer's national insurance contributions, benefits and pensions paid to or on behalf of the SMT in the year was £650,714 (2015: £521,312).

# Notes to the financial statements

## 9. Related Party Transactions

No member of the Board received any remuneration in 2016 (2015: £nil) for their roles as Trustees. A total of £4,758 (2015: £9,790) was paid to, or to third parties on behalf of, 10 (2015: eight) members of the Board in reimbursement of expenses incurred on Institute business during the year. In addition to this, the Institute paid £6,023 for Trustee indemnity insurance (2015: £5,830).

One of the Institute's Trustees is the Managing Partner of Oakland Consulting. Prior to his appointment to the Board in December 2016, £9,720 was invoiced by and paid to Oakland Consulting by the Institute in a profit share agreement relating to the provision of Leadership Masterclasses, in line with the Institute's normal course of business and its standard terms and conditions. There was no outstanding balance at 31st December 2016 and no amounts written off during the year.

The following members of the Institute's senior management team are also members of the Board of Directors of the Institute's subsidiary, IRCA Japan KK: Otto Balsiger, Vincent Desmond and Tally Singer. In 2016 an annual royalty of £243,563 was charged by the Institute to IRCA Japan KK, with the full balance being outstanding at 31st December 2016 and expected to be paid in 2017.

## 10. Taxation

The Institute is a registered charity and is, therefore, not subject to corporation tax on its charitable activities. No provision has been made for corporation tax for CQI Services Ltd as the company has made a gift aid donation to the parent charity sufficient to extinguish any tax liability. Overseas taxation relates to income tax suffered by IRCA Japan KK on its profits for the year:

	2016 £'000	2015 £'000
Overseas taxation	3	1

## 11. Intangible fixed assets Group and Institute

	Product Development £'000	Total £'000
<b>Cost</b>		
As at 1 January 2016	19	19
Additions - internally generated	243	243
<b>As at 31 December 2016</b>	<b>262</b>	<b>262</b>
<b>Amortisation</b>		
As at 1 January 2016	-	-
Charge for the year	-	-
<b>As at 31 December 2016</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>		
<b>As at 31 December 2016</b>	<b>262</b>	<b>262</b>
<b>As at 31 December 2015</b>	<b>19</b>	<b>19</b>

The intangible asset recognised in the accounts is the Institute's Learning and Development offering: the ATP portfolio of courses, assessments and related software development.

# Notes to the financial statements

## 12. Tangible fixed assets of the Group and Institute

	Improvements to premises	Office equipment and furniture	Computer equipment software	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
As at 1 January 2016	192	114	1,467	1,773
Additions in year	-	9	326	335
Disposals	-	(81)	(1,294)	(1,375)
<b>As at 31 December 2016</b>	<b>192</b>	<b>42</b>	<b>499</b>	<b>733</b>
<b>Depreciation</b>				
As at 1 January 2016	87	83	1,323	1,493
Charge for the year	19	17	58	94
Eliminated on disposal	-	(81)	(1,292)	(1,373)
<b>As at 31 December 2016</b>	<b>106</b>	<b>19</b>	<b>89</b>	<b>214</b>
<b>Net book value</b>				
<b>As at 31 December 2016</b>	<b>86</b>	<b>23</b>	<b>410</b>	<b>519</b>
<b>As at 31 December 2015</b>	<b>105</b>	<b>31</b>	<b>144</b>	<b>280</b>

Included in tangible fixed assets (office equipment and furniture) are costs of £11,965, depreciation of £9,158 and net book value of £2,537 (2015: 4,548) relating to assets purchased by IRCA Japan KK.

## 13. Fixed asset investments

	Group		Institute	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Listed investments	1,332	1,206	1,330	1,204
Unlisted investments	-	-	10	10
<b>Market value as at 31 December 2016</b>	<b>1,332</b>	<b>1,206</b>	<b>1,340</b>	<b>1,214</b>
Historic cost of investments	950	950	960	960
<b>Analysis of movement:</b>				
At 1 January 2015	1,206	1,132	1,214	1,142
Additions	-	52	-	50
Net gains	126	22	126	22
<b>At 31st December 2015</b>	<b>1,332</b>	<b>1,206</b>	<b>1,340</b>	<b>1,214</b>

### Listed investments

In January 2011 an investment was made in a Common Investment Fund. As at 31 December 2016 the fund comprised 44% UK equities, 40% overseas equities, 15% bonds and 1% cash. Their fair value as at 31 December 2015 and 2016 is shown above.

# Notes to the financial statements

## 13. Fixed Asset investments (continued)

### *Unlisted investments in subsidiary undertakings*

The Institute holds 100% of the voting capital of CQI Services Ltd, a company registered in England. The share capital of the company comprises 10,000 shares of £1 each. The company's principle activities are the provision of advertising revenue in the Quality World magazine and the CQI websites, management consultancy referrals, catering and hire of facilities.

The Institute holds 100% of the voting share capital of the International Register of Certified Auditors Japan KK, a company registered in Japan. The share capital of the company consists of one Japanese Yen. The company's principal activity is to provide local marketing, administration and certification services to Japanese auditors.

The Institute holds 100% of the voting capital of the following companies which are registered in England. The companies were dormant throughout the period covered by these financial statements and hence have not been consolidated in these financial statements.

	Share capital ordinary shares of £1 each	
	Authorised	Issued
IQA Limited	1,000	1
IRCA Limited	1,000	1
IRCA Europe Limited	1,000	1
CQI Training Limited	1	1
PQG Limited	1,000	1
Quality World Limited	1,000	1

## 14. Debtors

	Group		Institute	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade debtors	136	131	62	82
Amounts owed by Group undertakings	-	-	316	243
Other debtors	120	98	62	61
Prepayments and accrued income	671	460	666	454
<b>Total</b>	<b>927</b>	<b>689</b>	<b>1,106</b>	<b>840</b>

## 15. Creditors

	Group		Institute	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade creditors	254	159	209	126
Other taxes and social security	70	80	50	51
Other creditors	23	28	22	28
Accruals and deferred income	1,128	816	1,007	737
<b>Total</b>	<b>1,475</b>	<b>1,083</b>	<b>1,288</b>	<b>942</b>

# Notes to the financial statements

## 16. Deferred income

	Group		Institute	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
At 1 January	694	809	619	736
Amount released to incoming resources	(694)	(809)	(619)	(736)
Amount deferred in the year	849	694	732	619
<b>At 31 December</b>	<b>849</b>	<b>694</b>	<b>732</b>	<b>619</b>

Included in creditors for the year is a total of £849,488 (2015: £694,305) which relates to deferred income. This is income for 2017 fees raised in October, November & December 2016. This figure consists of £53,270 (2015: £59,555) for examination fees, £100,094 for IRCA Membership (2015: £18,782), £459,255 (2015: £387,652) for CQI Membership, £9,120 (2015: £9,152) for CQI Training, £34,054 (2015: £90,135) for fees from training providers, £36,826 from IRCA OEA fees (2015: 53,833), £37,185 for fees from Corporate Partners (2015: £10,487), and £117,301 (2015: £75,196) for IRCA Japan KK Membership fees.

## 17. Financial Instruments

The Group has the following financial instruments:

	Group		Institute	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Financial assets that are debt instruments measured at amortised cost:</b>				
Trade receivables	136	131	62	82
Other receivables	120	98	378	304
Investments	1,332	1,206	1,330	1,204
Investment in short term deposits	1,530	1,905	1,029	1,515
<b>Total</b>	<b>3,118</b>	<b>3,340</b>	<b>2,799</b>	<b>3,105</b>
<b>Financial liabilities measured at amortised cost:</b>				
Trade creditors	254	159	209	126
Accruals	239	122	235	118
Deferred income	849	694	732	619
Other creditors	23	28	22	28
<b>Total</b>	<b>1,365</b>	<b>1,003</b>	<b>1,198</b>	<b>891</b>
<b>Net financial assets measured at amortised cost</b>	<b>1,753</b>	<b>2,337</b>	<b>1,601</b>	<b>2,214</b>

# Notes to the financial statements

## 18. Other financial commitments

At 31 December 2016, the Group and Institute had the following future lease payments under non-cancellable operating leases:

Land and buildings	Group		Institute	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Not later than one year	239	289	212	289
Later than one year and not later than five years	1,296	1,154	1,272	1,154
Later than five years	-	72	-	72
Lease payments recognised as an expense through the statement of financial activity	335	255	302	229

## 19. Funds

All assets and liabilities are held within unrestricted funds.

Group						
Fund name	Fund balances brought forward £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Fund balances carried forward £'000
General Funds	1,429	5,269	(5,266)	56	163	1,651
PQG Reserve	106	47	(45)	-	5	113
IT Project Reserve	800	-	-	(400)	-	400
Fixed Asset Reserve	299	-	(94)	576	-	781
Product Development Reserve	382	-	-	(232)	-	150
<b>Total funds</b>	<b>3,016</b>	<b>5,316</b>	<b>(5,405)</b>	<b>-</b>	<b>168</b>	<b>3,095</b>

  

The Institute						
Fund name	Fund balances brought forward £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains and losses £'000	Fund balances carried forward £'000
General Funds	1,334	4,653	(4,663)	60	140	1,524
PQG Reserve	106	47	(45)	-	5	113
IT Project Reserve	800	-	-	(400)	-	400
Fixed Asset Reserve	299	-	(92)	572	-	779
Product Development Reserve	382	-	-	(232)	-	150
<b>Total funds</b>	<b>2,921</b>	<b>4,700</b>	<b>(4,800)</b>	<b>-</b>	<b>145</b>	<b>2,966</b>

The PQG Reserve is equal to the bank balances and share of investments held by the Pharmaceutical Quality Group. This special interest group meets the needs of quality professionals within the pharmaceutical industry through regular meetings on quality assurance, good manufacturing practice and 'hot-topics' and developing guidance on a range of regulatory requirements.

The IT Project Reserve represents money set aside for the planned redevelopment of the Institute's websites. The final phase is expected to be completed in 2020.

# Notes to the financial statements

## 19. Funds (continued)

The Fixed Asset Reserve represents the approximate value of tangible assets as these funds are not available for day to day operations of the Institute.

The Product Development Reserve represents money set aside for the Learning and Development Project. Phase 1 of the project was launched on 1 January 2017, and development of phase 2 is underway in 2017.

## 20. Analysis of net assets between funds

Group	General funds	PQG Reserve	IT Project Reserve	Fixed Asset Reserve	Product Development Reserve	2016 Total Funds £'000	2015 Total Funds £'000
	£'000	£'000	£'000	£'000	£'000		
Intangible Fixed Assets	-	-	-	262	-	262	19
Tangible Fixed Assets	-	-	-	519	-	519	280
Investments	1,276	56	-	-	-	1,332	1,206
Current Assets	1,850	57	400	-	150	2,457	2,594
Current Liabilities	(1,475)	-	-	-	-	(1,475)	(1,083)
<b>Total</b>	<b>1,651</b>	<b>113</b>	<b>400</b>	<b>781</b>	<b>150</b>	<b>3,095</b>	<b>3,016</b>
<b>The Institute</b>							
	General funds	PQG Reserve	IT Project Reserve	Fixed Asset Reserve	Product Development Reserve	2016 Total Funds £'000	2015 Total Funds £'000
	£'000	£'000	£'000	£'000	£'000		
Intangible Fixed Assets	-	-	-	262	-	262	19
Tangible Fixed Assets	-	-	-	517	-	517	275
Investments	1,284	56	-	-	-	1,340	1,214
Current Assets	1,528	57	400	-	150	2,135	2,355
Current Liabilities	(1,288)	-	-	-	-	(1,288)	(942)
<b>Total</b>	<b>1,524</b>	<b>113</b>	<b>400</b>	<b>779</b>	<b>150</b>	<b>2,966</b>	<b>2,921</b>

# Board of Trustees

Position	Current office holder	Date of appointment	Date of resignation	2016 Board Attendance	2016 Sub-committees	2016 Sub-committee attendance	Working groups, advisory panels and other formal contributions in 2016
Chair	Ian Mitchell	September 2015 <i>(Appointed as a Trustee: September 2012)</i>	-	4/4	Finance & Remuneration Committee	4/4	Attended 2 Advisory Council meetings as Board representative; led annual Trustee performance & development process; contributed to strategic review
Honorary Treasurer	Louise Kavanagh	December 2015	-	4/4	Finance & Remuneration Committee	4/4	
Board Member	Peter Bennett	September 2008	-	4/4	-	-	CQI President recruitment working group; attended NC meeting; attended Advisory Council meeting as Board representative
Board Member	Phil Parker	September 2015	-	2/4	-	-	
Board Member	Amanda McKay	September 2014	-	3/4	Nominating Committee	1/1	Led a review of governance effectiveness; contributed to strategic review
Board Member	Andy Pitt	September 2014	-	4/4	-	-	Handled a Member misconduct investigation
Board Member	David Straker	September 2014	-	4/4	-	-	Formed part of the interview panel for a CQI employee recruitment process; CQI President recruitment working group
Board Member	Colin Head	June 2011	-	3/4	-	-	
Board Member	Mike Turner	December 2016	-	1/1	Finance & Remuneration Committee	Joined with effect from June 2017	
Board Member	Tim O'Hanlon	May 2012	Resigned in year and reappointed 7/12/16	2/2	Nominating Committee	1/1	Led the 2016 Trustee recruitment process as chair of the Nominating Committee; attended Advisory Council meeting as Board representative

# Board of Trustees

**Ian Mitchell, CQP FCQI** works for Network Rail as Quality & Business Improvement Director. Before taking up the role as chair of the Board of Trustees in December 2015 Ian served the CQI as a Trustee and as a member of the Advisory Council, Governance Committee and the Professional Policy Panel. He brings to the CQI 37 years of quality management experience within the defence, nuclear and rail sectors globally during which he has held positions in manufacturing, project management, procurement, finance and engineering enabling him to see quality from many perspectives.

**Louise Kavanagh, ACMA CGMA** works for Network Rail as Finance Director, Route Services. She brings to the CQI in her role as Honorary Treasurer extensive executive experience working in finance roles across the Network Rail business, including maintenance, operations, engineering, digital railway strategy and more recently working in Route Services, which offer IT, Shared Service, Supply Chain and Procurement services to the wider Network Rail business.

**Peter Bennett, FCQI** is now retired. He brings to the CQI 10 years of experience working within a wide variety of voluntary roles, chairing committees within the CQI, including chair of the Board, and has been closely involved with the CQI's work in shaping the quality profession. In that he also brings extensive career experience in Quality roles in the automotive and aerospace industries with Rolls-Royce/Bentley and Messier-Dowty.

**Colin Head** is the Chief Executive of QSRMC/CPC, a UKAS accredited certification body providing management systems and product certification for manufacturers of construction products and construction contractors. He brings to the CQI his considerable experience in the accredited certification industry and has been involved with the CQI since the 1990s as a member of the IRCA Board, of which he was subsequently chairman and, in this capacity, he became a member of the IQA Board. He has been a co-opted member of the CQI Board of Trustees since its inception.

**Amanda McKay, CQP FCQI** is Quality Director for Balfour Beatty Major Projects. She brings to the CQI 27 years of experience in the construction, nuclear and power generation sectors, and experience in charity operation, people management and diversity in her role as a trustee with other charities. A founding member of the CQI Nuclear Special Interest Group, she has worked to develop additional competency requirements for Quality Professionals and to help establish the first Quality Apprentice Scheme for the Nuclear sector.

**Dr. Tim O'Hanlon, CQP FCQI** is a partner with GE Healthcare. As a Member and then Fellow of the CQI since the 1970s he brings to the CQI his executive experience as a director or partner in organisations for more than 20 years, 30 years' experience as a quality professional, his links to business, as well as an international perspective from having worked in more than 50 countries.

**Phil Parker, CQP FCQI** is a consultant and brings to the CQI over 30 years of global industry experience developing quality strategy and implementing dynamic, modern manufacturing approaches predominantly in the automotive sector but also with interim experience in mining, oil & gas, medical and industrial automation.

**Andy Pitt, CQP MCQI** is now retired. He brings to the CQI 20 years of experience as a quality professional and the fiscal awareness and due diligence experience gained in his roles as a Trustee Director on three employer Pension Scheme Boards. Prior to his role as a Trustee, he served on the CQI Advisory Council, and was a founding Fellow of the CQI.

**David Straker, CQP FCQI** is now retired. He brings to the CQI experience from an extensive career in a variety of roles, in both public and private organisations which included a leading role in the award-winning Hewlett Packard UK Quality Department and as Quality Manager for the National school 'SATs'. He also brings an understanding of psychology within the profession and still writes about 'changing minds' for a major knowledge website on this topic.

**Mike Turner, CQP MCQI** is Managing Partner at Oakland Consulting. He brings to the CQI over 35 years of experience in Quality and Operations Management in the private and public sectors, and as a professional advisor to national and multi-national organisations. He also brings experience in research into quality and operations management practices. In his ambition to advance the contribution of the Quality Professional to society he has become increasingly engaged in the work of the CQI, including contributing to the adoption of the competency framework and broadcasting its value in his daily work.

# Advisory Council 2016

Name	Position	Name	Position
Steve Warwood	Chair	Tim Holmes	Member
David Riley	Member	Suzanne Hill	Member
David Seear	Member	Marc Elmes	Member
Leigh Henderson	Member	Roxann Dawson	Member
John Oakland	Member	Maurice Trevor Walton	Member
Richard Allan	Member	Mark Eydman	Member
Stephen Beggan	Member	Angela Fumpson	Member
Janette Hamilton	Member	Dr Louise Boulter	Member
Simon Treharne	Member	Hannah Murfet	Member
		Peter Lucas	Member

## Key Management Personnel

<b>Director General and Chief Executive</b> Simon Feary	<b>Acting Chief Executive</b> Vince Desmond
<b>Executive Director of Finance &amp; Business Management</b> Otto Balsiger	<b>Executive Director of Operations</b> Tally Singer
<b>Executive Director of Capability &amp; Change</b> Sophie Langkjær-Bain	<b>Executive Director of Policy</b> Estelle Clark (appointed January 2017)
<b>Executive Director of Commercial Partnerships</b> Vina Bongiorno	<b>Head of Communications and Marketing</b> Tim Coulthard (left July 2016)
<b>Interim Head of Membership</b> Richard Green (left July 2016)	

## Principal professional advisers

### Bankers

Lloyds TSB Bank Plc  
Butler Place Branch  
PO Box 132  
Caxton Street  
London SW1H 0PR

Scottish Widows Bank Plc  
67 Morrison Street  
Edinburgh EH3 4YJ

### External auditors

haysmacintyre  
Chartered Accountants  
26 Red Lion Square  
London WC1R 4AG

### Solicitors

Russell-Cooke LLP  
2 Putney Hill  
London SW15 6AB

### Investment managers

Newton Investment Management Ltd  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA

# Branch and Regional Officers 2016

EASTERN REGION	Regional Chair/ ROP Representative	Don O'Connell
<b>Milton Keynes branch</b>	Chair	Anthony Thompson
	Secretary	Paul Robinson
	Treasurer	Karen McDonald
	Events Co-ordinator	Harry Agarwal
	Membership Secretary	Steve Dewhirst
<b>Peterborough &amp; Cambridge branch</b>	Chair	Don O'Connell
	Treasurer	Josefina Gil-Moya
	Publicity Material, Event Support & Special IT analyses	Richard Sims
	Membership Advisor & L&D	Jon Swift
	Committee Member - Professional Bodies Liaison	Mark Lavers
	Committee Member - Newsletter Editor	Keith Breeze
	Committee Member - Event Co-ordination & IT tools	Kevin Newey
	Committee Member (role to be defined)	Priyanka Viswanathan

MIDLANDS	Regional Chair	Mark Braham
	<b>Regional treasurer</b>	<b>Jon Adshead</b>
	<b>ROP Representative &amp; secretary</b>	<b>Mark Eydman</b>
<b>Birmingham branch</b>	Chair	Geoff Holt
	Secretary	Bob Hughes
<b>Derby &amp; Notts branch</b>	Chair	Simon Dewsbury
<b>Leicester &amp; Coventry branch</b>	Chair	Mark Eydman
	Secretary	Darren Price
<b>Wolverhampton branch</b>	Chair	Mark Braham

# Branch and Regional Officers 2016

NORTH EAST	Regional Chair/ ROP Representative	Brian Cutter
	<b>Regional treasurer</b>	<b>Brian Cutter</b>
<b>Teeside branch</b>	Chair	Trevor Walton
	Vice Chair	Mike Amour
	Secretary	Austin McGlynn
<b>Tyne &amp; Wear branch</b>	Chair	Chris Hughes
	Secretary	Harry Herbert
	Treasurer	Brian Cutter

NORTHERN	Regional Chair	Victor Williams
	<b>Regional treasurer</b>	<b>Victor Williams</b>
<b>Cumbria branch</b>	Chair	Jim Swain
	Vice Chair	Richard Smith
	Secretary	Geoff Edmondson
	Treasurer	Geoff Edmondson
<b>Gtr Manchester branch</b>	Chair	John Davies
	Secretary	Philip Carroll
	Treasurer	Victor Williams
<b>Yorkshire branch</b>	Chair	Hugh Everson
	Secretary	Bob Marshall
	Treasurer	Victor Williams

NORTHERN IRELAND	Regional Chair	Daniel McQuade
	<b>Regional treasurer</b>	<b>Darren Montgomery</b>
	<b>ROP Representative</b>	<b>Simon Treharne</b>
<b>Northern Ireland branch</b>	Chair	Dan McQuade
	Secretary	Simon Treharne
	Treasurer	Robin Lemon

# Branch and Regional Officers 2016

SCOTLAND	Regional Chair	Steve Coles
	Regional treasurer	Steve Coles
	ROP Representative	Colin Campbell
	Council Rep	Peter Lucas
	Secretary	Peter Lucas
East of Scotland branch	Chair	Gemma Parnell
	Secretary	Steven Cowey
	Treasurer	Gemma Parnell
North of Scotland branch	Chair & Treasurer	Colin Campbell
	Secretary	Keith Scott
West of Scotland branch	Chair	Ron Rivans
	Vice-Chair	Jim Burns
	Secretary	Jeff Marven
	Treasurer	Jeff Marven

SOUTH EAST	Regional Chair/ ROP Representative	Cathryn Valentyn
London branch	Acting-Chair	Alexander Woods
Southern branch	Chair	John Howell
	Secretary	Cathryn Valentyne
Thames Valley branch	Co-chair	Terri Bickford
	Co-chair	Natalie Shoemark Dyer
	Secretary	Tom Gould
	Treasurer	Tom Gould
	Events	Terri Bickford

# Branch and Regional Officers 2016

<b>SOUTH WEST</b>	<b>Regional Chair</b>	<b>Paul Snowdon</b>
	<b>Regional treasurer</b>	<b>Robert James</b>
	<b>ROP Representative</b>	<b>Angela Fumpson</b>
<b>Avon branch</b>	Chair	Angela Fumpson
	Secretary	Denise Ramsay
<b>Devon &amp; Cornwall branch</b>	Chair	Roger Bloomfield
	Secretary	Carol Ball
	Treasurer	Mark Randall
<b>Gloucester branch</b>	Chair	Paul Snowdon
	Secretary	Gary Martin
<b>Wales branch</b>	Chair	Derek Lewis
	Secretary ( Joint Secretary)	Robert James
	Secretary ( Joint Secretary)	Ralph Cannon
<b>Wessex branch</b>	Chair	Dave Smith
	Secretary	John Skinner

<b>OVERSEAS</b>		
<b>Hong Kong</b>	Chair	Vincent Chui
	Vice Chair	Eric Ng
	Secretary	Jaco Lee
	Treasurer	Grace Poon
<b>Singapore</b>	Chair	Sam Man Keong

2nd Floor North, Chancery Exchange,  
10 Furnival Street, London, EC4A 1AB  
Incorporated by Royal Charter and  
registered as charity number 259678  
[www.quality.org](http://www.quality.org)