
The Chartered Quality Institute Annual Report 2015

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Ian Mitchell | Photo: Marcus Harvey

Chair's message

It is with great pleasure that I write the introduction to our *Annual Report* as chair of the Board of Trustees.

2015 has been an exciting time for the CQI. In 2014 we re-defined the profession and now we are truly gaining traction as our customers start to drive the pace.

During the past year we have witnessed a number of significant changes. The Professional Policy Panel worked hard to define the Competency Framework and create a career path. Now, this has transitioned to 'normal business' under the control of the chief executive. Portfolio management was also introduced to manage our change projects and this gave us the confidence to approve investment in our future.

The Board of Trustees was strengthened and honorary treasurer, Louise Kavanagh, brought much greater financial capability to the team.

Unfortunately, Simon's illness resulted in a number of temporary appointments in the management team, however, this created great opportunities for our people to develop their future potential.

Looking forward, in 2019 the CQI will celebrate its 100th birthday – our centenary. To make sure we are in the best possible position for this pivotal year we have revised our strategy around two simple objectives: first, to provide 'excellence in the profession' and second, to provide 'excellence as a professional body'.

Meeting our strategic aim of 'excellence in the profession' will help us to lead a quality profession valued by employers as a business

partner, delivering excellence in Governance, Assurance and Improvement. To achieve this objective we must ensure we are an excellent professional body and we are achieving this by aligning our resources.

To help realise our great ambitions, the trustees approved a significant portfolio of change, aligning our learning and development products to the CQI Competency Framework. This will create integrated ways in which we can engage with our members, their employers and wider industry.

We also began work on a new CQI website, enhancing our customer experience.

Our heritage has provided a great foundation for us to build our vision of a world where all organisations optimise value for their stakeholders through excellence in the crucial competencies outlined in our Competency Framework.

I encourage you all to reflect on your role and to consider how you can play an active part in our future and making our vision a reality.

Ian Mitchell, chair of the Board of Trustees

A handwritten signature in black ink, appearing to read 'I Mitchell', with a long horizontal flourish underneath.

Trustees' report

Report of the trustees for the year ended 31 December 2015

The Board of Trustees of the Chartered Quality Institute (the institute) presents its annual report for the year to 31 December 2015 together with audited financial statements for the year.

The financial statements comply with Charities Act 2011, the Royal Charter 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) (effective 1 January 2015).

Our purpose and principal activities

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.

The institute is a global

professional body advancing 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.

The institute recognises that these business outcomes are best generated through using competent quality professionals who:

- Protect organisation reputation – avoiding the potentially catastrophic consequences of getting things wrong
- Enhance organisation reputation – optimising operational performance to maximise value for customers and stakeholders
- Improve profitability and value for money – optimising operational efficiency by eliminating unnecessary cost and waste
- Transform at pace – driving change through insights, strategies and improvement activity

These professionals are the institute's members and to that purpose the institute's charitable expenditure is focused on the following principal activities:

- Promoting the benefits of the quality management approach to industry
- Maintaining a competency framework for the profession
- Sharing quality knowledge and resources
- Providing training and certifying learning providers.

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.

Achievements and performance

2015 was the final year in our 2011-2015 strategic period. The three strategic themes were raising the profile of quality and of the CQI, supporting and developing the profession and working towards becoming an excellent organisation.

Raising the profile of quality and of the CQI

The institute's objective is to build greater understanding of the role and value of quality, quality professionals and, in doing so, to raise awareness

of the CQI as the chartered body representing the profession.

Engagement with employers

Employers are a key stakeholder for competent quality professionals and therefore key partners in developing and ensuring professional standards are taken up in industry. The institute grew the number of Corporate Partners who work with the CQI to promote quality management practice and professionalism and these Corporate Partners provided vital industry insight as part of the development of the institute's 2016-2020 strategy.

2015 CQI Leadership Conference

The annual conference was held in London and attended by 250 delegates with a focus on the CQI Quality Professional Competence Framework and quality leadership within industry.

2015 World Quality Day

In 2015 the focus of World Quality Day was on governance, assurance and improvement of supply chain and included a UK industry reception hosted by the CQI in London, as well as extensive events held around the country by CQI members and Corporate Partners.

Supporting and developing the profession, the Chartered Quality Professional and CQI membership

As the body providing recognition for qualified quality professionals, the institute exists to qualify and develop quality professionals to ensure the profession continues to provide value to employers and society more widely, in support of the institute's charitable aims. Total individual membership remained constant at

approximately 22,000 members split between 9,380 CQI members and 12,791 IRCA auditor certifications.

CQI Membership Review

Changes to the institute's CQI membership grades were approved by the Privy Council after an EGM in 2015 and come into effect in 2016. These changes provide a number of benefits to the quality profession and its key stakeholders – employers. The new membership system will:

- Enable the CQI to cater for the full scope of the quality profession – Governance, Assurance and Improvement practitioners.
- Focus assessment on competence and benefit delivered to organisations as defined in the CQI Quality Professional Competence Framework.
- Provide a career path for quality practitioners.
- Reflect good practice within the professional body sector.

In support of the introduction of the CQI Quality Professional Competency Framework in 2014 a new series of publications was launched to explore the leadership competence for quality professionals, reflecting the importance that employers place on the quality professional's ability to influence and lead in addition to the ability to understand and deploy appropriate technical tools and methods.

ISO 9001: 2015

2015 saw the release of a substantial change to ISO 9001 and 14001: both key reference standards for CQI and IRCA members. The institute was heavily involved in the development of ISO 9001 with CQI Standards Panel representatives at national level through BSI and international level through ISO. The institute considered that the changes to these standards were positive and aligned

with the CQI Quality Professional Competence Framework, and published a policy outlining this position including implications and benefits for organisations, quality professionals and management systems auditors.

This included requirements for IRCA auditor transition and IRCA auditor transition training. Technical reports for ISO 9001:2015 and ISO 14001:2015 were published and made available to our members free of charge, available to buy by non-members. Following the release of ISO 9001:2015 IRCA approved training organisations were quick to enter the market and 71 transition courses were certified by the end of the year, four times more than expected.

Professional Networks

The institute provided 'ISO 9001 in a nutshell' branch roadshows which were very well received and for the first time a video of one of the roadshows was posted on our website for those unable to physically attend. We launched superSIG meetings where Chairs of our sector specific special interest groups and Next Generation Network meet to share their respective challenges and solutions.

Learning and Development Review

In 2015 the institute completed a review of its learning and development offerings. The institute currently offers learning through IRCA Certified Training, CQI qualifications and CQI training and recognised that this is not efficient for the CQI, does not meet the requirements of the profession or employers, and does not support capability development either for the wider quality profession as described in the CQI Quality Professional Competency Framework or for non-

quality professionals.

The Board of Trustees approved a significant change in approach to address these issues through a new single portfolio of professional courses for implementation in 2016.

Becoming an excellent organisation

As an organisation representing quality professionals in the UK, the institute has a responsibility to ensure it operates to the highest quality standards. The institute complies with the Charity Commission's guidance document, Hallmarks of an Effective Charity.

People

We recognise that our staff are fundamental to the institute's performance. We believe in the importance of all staff sharing the objectives of the organisation and its charitable purpose, and we continually strive to further improve our ability to work effectively together. In 2015 we focused on facilitating better communication across the organisation, on providing greater transparency and opportunity for career development, and on improving the efficiency and effectiveness of our processes for example by embedding our new business management system.

Business Management System

In 2015 the institute began implementation of its Business Management System to support its own governance, assurance and improvement in the delivery of the CQI purpose and objectives, taking into account all stakeholder requirements.

This is important in supporting the institute as it moves from operating two separate brands and professional membership systems – the CQI and IRCA – to a single

more efficient and effective system representing the total quality profession.

Brand refresh

The visual identities of CQI and IRCA were brought together through re-worked logos, common visual style and a unified tone of voice, which will allow the CQI to support and promote the quality profession more effectively – serving Governance, Assurance and Improvement practitioners under one umbrella – for the benefit of practitioners and industry. This will be launched in 2016.

Website

A project to replace the CQI and IRCA websites with a single new website for the institute was initiated. The project was reliant on the successful completion of the brand refresh work and includes an extensive programme of user research, testing, and requirements mapping to form the foundation for the build phase and launch in 2016. The single platform will allow the institute to support customers and stakeholders more efficiently and effectively and provide a basis for further investment in IT systems.

Financial review

The institute moved from a break even position in 2014 to an improved surplus of £0.25m for 2015.

The performance of Membership services income was in line with expectations at £3.4m. Individual membership performed well, especially in Japan. This was 10% higher than 2014 partly due to a one-off change in accounting policy on recognition of IRCA income lowering 2014 income.

Learning and Development had a good year; income exceeded £2m, up 10% from 2014. CQI Training reversed 2014's poor performance

and delivered more courses than expected with over 1,000 delegates attending training events.

However new student enrolments for CQI qualifications fell by 10%. For the third year in a row over 60,000 students attended IRCA certified auditor training courses. Following the release of the updated ISO9001:2015 standard IRCA approved training organisations were faster registering new transition courses, bringing forward income expected in 2016.

The results include figures from two wholly owned trading subsidiaries. IRCA Japan KK performed well despite introducing higher prices which resulted in £0.18m royalty paid to the institute, an 86% increase from 2014. CQI Services Limited also continued to post healthy profits, gift aiding £0.07m to the institute.

Overall reserves rose to £3.02m. Net assets include an investment portfolio valued at £1.21m at the year end and cash balances in excess of £1.90m. 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 regarding

global economic growth and the significant changes in the price of oil 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. The return on this investment was in line with last year. After a volatile year the value of our investments ended the year up 2% at £1.21m. The proactive approach to cash management resulted in a higher proportion of cash held in fixed term deposits and a doubling of the interest earned and an increased year end balance of £1.91m.

Investment performance was reviewed by the Governance Working Group during 2015 however this was passed to the new Finance and Remuneration Committee in 2016.

Reserves policy

The trustees aim to maintain free reserves at a level which equates to six months of unrestricted planned charitable expenditure. The trustees consider that this level will provide sufficient funds to respond to any unexpected events.

The balance held as unrestricted reserves at 31 December was £3.02m. £1.43m is regarded as free reserves, after allowing for funds tied up in tangible fixed assets and other designated reserves including the Learning and Development and IT projects.

The Product Development Reserve relating to the Learning and Development project is for the creation of new products and the infrastructure to deliver them; this project is expected to cost £0.38m and should be complete in 2017. The IT projects fund of £0.80m relates to future development of

our website. This project is divided into stages with the launch of a new website planned for 2016. Additional functionality will be added in the following two years.

Six months planned unrestricted expenditure for 2016 is £2.51m. Therefore the current level of reserves is therefore lower than target. It is anticipated that through the Change Programme that we will reach the target by 2020 through increased operating surpluses as new products and services are launched.

Plans for the future

The strategy for 2016-2020 focuses on two strategic goals: excellence in the profession and excellence as a professional body. In shaping our strategy the trustees have considered the Charity Commission's guidance on public benefit, including the guidance 'public benefit: running a charity (PB2)'. Plans for 2016 are as follows:

Excellence in the Profession

We will increase the support we provide to employers through our Corporate Partner product offering. This will be reviewed to incorporate industry feedback and align to a more strategic partnership approach.

We will launch our new Learning and Development portfolio of dual branded certified training courses delivered by Approved Training Partners (ATPs) consisting of modular courses aimed at three levels: Foundation, Practitioner and Professional. The new courses are based upon our Competence Framework and requirements of employers; they will enable people to meet the institute's knowledge criteria for membership.

We will review our CPD system for both CQI and IRCA members to plan for improved CPD monitoring and support in 2017.

Excellence as a professional body

We will launch the new single CQI/IRCA website offering more online content and enabling members to perform more online activity such as renewing their membership and networking with peers. Following the launch further development will continue in the next few years.

We will develop a formal framework for change management to ensure the effective delivery of our considerable change programme and investment which supports the institute's plans for the future.

We will continue to invest in our IT infrastructure to ensure we provide the best possible service to our members and to improve our internal efficiency.

Reference and administrative details

The Chartered Quality Institute, also known as the CQI, is a registered charity (number: 259678). The institute was granted a Royal Charter on 23 November 2006. Its registered office is 2nd Floor North, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB. The current trustees, and any past trustees who served during the year, are listed on pp 28-29 together with the names of the senior executive staff and the external advisers of the charity.

Structure, governance and management

The institute is governed in accordance with its Royal Charter and bye-laws. The Board of Trustees (the Board) is responsible for the overall governance of the institute. Trustees are either elected or co-opted and the total number of trustees may not exceed 20. Up to 17 trustees are elected directly by the Advisory Council through the Nominating Committee and three may be co-opted directly by

the Board to address particular competence requirements.

The Board, Advisory Council and Nominating Committee all operate according to their own terms of reference, and according to codes of conduct. The institute has developed an induction programme that all new trustees are required to complete to ensure that they are briefed on the institute's objectives, strategy and activities. Trustees are encouraged to attend training sessions to develop their knowledge and skills.

The institute operates through effective partnership between the Board, the Advisory Council and the Executive. The Board meets at least four times a year to review strategy, risk and opportunities, to approve and monitor performance against operating plans and budgets and to monitor statutory compliance.

The Advisory Council elects and maintains an effective Board ensuring the institute acts consistently in the best interests of the profession and the profession's stakeholders. It also provides advice to the Executive and operates as a guardian of integrity and ethics.

Following the standing down of the Governance Working Group in early 2016 the Advisory Council will also review the institute's governance policies, procedures and practices to ensure they are in line with the institute's Royal Charter and By-laws, and UK legislation (particularly concerning charities) reporting their findings back to the Board of Trustees.

The Nominating Committee is charged with advising the Advisory Council on all matters connected with the election and appointment of members of the institute to the Board and Advisory Council and ensuring that each is properly and effectively constituted.

During 2015 the Governance Working Group (GWG) was

responsible for advising the Board on governance, reviewing risks and opportunities, ensuring investments are managed in accordance with the investment policy and for oversight of the annual financial audit.

The GWG was stood down in March 2016 by the Board of Trustees following a report from CASS which recommended the activities of the GWG would be better placed elsewhere within the governance structure of the institute. Its responsibilities were transferred to the Advisory Council, the Board and the new Finance and Remuneration Committee. This has been documented in their respective terms of reference.

A Finance and Remuneration Committee was set up as a sub-committee of the Board in early 2016. This committee will ensure the system of internal control is satisfactory to deliver regulatory compliance, financial probity and value for money. It will also review and challenge financial plans, budgets, financial statements, oversee the annual financial audit and review performance of our investments.

The charity has two other sub-committees: the Standards Panel and the Regional Operations Panel. Both are managed by the institute's executive team, who report to the Board on their activities.

Effective partnership between trustees and the Executive continues to contribute significantly to the success of the institute.

The institute considers the Board of Trustees and the Senior Management Team as comprising its key management personnel. They are in charge of directing and controlling the institute, and run the institute on a day to day basis. All trustees give their time freely and no Trustee remuneration was paid during the year. Details of trustee expenses and related party

transactions are disclosed in note 9 to the accounts. Trustees are required to disclose all relevant interests, and in accordance with the institute's policy withdraw from decisions where a conflict of interest arises.

The pay of senior staff is reviewed annually based on the financial status of the institute, cost of living and market rates. In view of the nature of the institute, pay levels are benchmarked against other membership bodies of a similar size to ensure they are appropriate for the sector and individual roles.

Risk management

The institute operates to a formal framework for the management of risk, taking the view that risk can be positive (opportunity) as well as negative (threat). The institute's risk register is a standing item on the agenda at each trustee meeting and is reviewed monthly by the senior management team. In addition to strategic, compliance and operational risks, separate registers are created for each change project.

The principal risks faced by the institute are:

- Realising the opportunity to engage industry and employers and establish their support for qualification and professionalism within the quality profession.
- Realising the opportunity and mitigating the threat inherent in the introduction of a new single CQI/IRCA portfolio of learning and development.
- Realising the opportunity and mitigating the threat inherent in the ISO 9001 transition of IRCA certified QMS auditors in the period to 2019.
- Mitigating the threat of inefficient and ineffective change.

The CQI operating and change plan has been developed to address the opportunities and threats with regard to industry engagement, learning and development and ISO 9001 transition. The risk of ineffective management and projects not achieving their desired outcomes is mitigated by the appointment of a single person to take ownership of the entire change programme.

A formal framework for the management of projects is being developed to define processes for initiating new projects, project governance, project planning, stage gate reviews, project closure and ensuring lessons learned from each project are incorporated into future projects. Regular meetings are held with each project manager to monitor progress and review risks to successful project completion.

A significant risk is the availability of internal resources allocated to projects; there are a number of large projects competing for resources. This is mitigated by careful project planning including resource planning across the change programme and business as usual requirements.

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.

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.

Trustees' responsibilities in relation to the financial statements

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/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 charity and of the incoming resources and application of resources of the 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 charity will continue in operation.

The Trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the 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. They 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, and
- 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 charity and financial information included on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

By order of the Board of Trustees



Ian Mitchell
Chair, Board of Trustees
Date:

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 2015 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Cash Flow Statement 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

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 2015 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; and
- 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

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

Date:

Consolidated statement of financial activities for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Income from			
Charitable activities			
Membership Services		3,390	3,070
Learning & Development		2,122	1,924
Awareness		9	25
Investments	3	52	42
Total		5,573	5,061
Expenditure on			
Charitable activities			
Membership Services	4	3,332	3,451
Learning & Development	4	1,839	1,497
Awareness	4	179	172
Total		5,350	5,120
Net income/(expenditure) before gains/(losses) on investments		223	(59)
Net gains on investments	12	22	64
Net income		245	5
Funds brought forward		2,771	2,766
Total unrestricted funds carried forward	17	3,016	2,771

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 17 to 26 form part of these financial statements

Balance Sheet as at 31st December 2015

	Note	Group		Institute	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Fixed assets					
Tangible fixed assets	11	299	403	294	403
Investments	12	1,206	1,132	1,214	1,142
		1,505	1,535	1,508	1,545
Current assets					
Debtors	13	689	975	840	1,013
Cash at bank and in hand		1,905	1,423	1,515	1,173
		2,594	2,398	2,355	2,186
Creditors: amounts due within one year					
Creditors	14	1,083	1,162	942	1,037
		1,083	1,162	942	1,037
Net Current Assets		1,511	1,236	1,413	1,149
Net assets		3,016	2,771	2,921	2,694
Total funds:					
Designated funds	17	1,587	654	1,587	654
General funds	17	1,429	2,117	1,334	2,040
Total unrestricted funds		3,016	2,771	2,921	2,694

These accounts were approved by the Board and authorised for issue on

and were signed on its behalf by:

Ian Mitchell, Chair

The notes on pages 17 to 26 form part of these financial statements

Consolidated statement of cash flows for the year ended 31 December 2015

Note	2015 £'000	2014 £'000
Cash flows from operating activities:		
<i>Net cash provided by/(used in) operating activities</i>	646	113
Cash flows from investing activities:		
Dividends and interest from investments	52	42
Purchase of property, plant and equipment	(164)	(63)
Purchase of investments	(52)	
<i>Net cash used in investing activities</i>	(164)	(21)
<i>Change in cash and cash equivalents in the reporting period</i>	482	92
Cash and cash equivalents at beginning of reporting period	1,423	1,331
Cash and cash equivalents at end of reporting period	1,905	1,423
Reconciliation of net income to net cash flow from operating activities		
	2015 £'000	2014 £'000
<i>Net income for the reporting period (as per the statement of financial activities)</i>	245	5
Adjustments for:		
Depreciation charges	268	499
(Gains)/losses on investments	(22)	(64)
Dividends and interest from investments	(52)	(42)
(Increase)/decrease in debtors	286	(61)
Increase/(decrease) in creditors	(79)	(224)
<i>Net cash provided by operating activities</i>	646	113

The notes on pages 17 to 26 form part of these financial statements

Notes to the financial statements

1. 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 have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), and the Companies Act 2006.

The Chartered Quality Institute (“The CQI”) meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Consolidation

The group accounts include the results of CQI Services Ltd and the International Register of Certificated Auditors Japan Kabushiki Kaisha (“IRCA Japan KK”) and have been consolidated on a line by line basis. IRCA Japan KK’s income and expenditure are translated at the average exchange rate for the year, while the balance sheet is translated at the year end rate.

No separate statement of financial activities has been prepared for The CQI (“the Institute”) as a single entity as permitted by the SORP.

The gross incoming resources of the Institute for the year were £5.16m (2014 - £4.78m) and its result for the year was a net surplus of £235k (2014: £4k).

Going concern

The Trustees consider there are no material uncertainties about the Institute and groups 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.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. No restatements were required. In accordance with FRS 102, a reconciliation of opening balances and net income for the year is provided with the net income under previous GAAP adjusted for the presentation of investment gains/losses as a component of reported income. See note 19 to the accounts.

The opening fund balances at the date of transition have not been restated (see note 19) due to an immaterial amount arising from a liability for holiday pay. No restatement of items has been required in making the transition to FRS 102.

The transition date was 1 January 2014.

Incoming resources

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.

Notes to the financial statements continued

The turnover of each department within the Institute is, where applicable, included net of Value Added Tax (VAT). Income 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 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.

Resources expended

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.

CQI 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.

Foreign currencies

Foreign currency transactions are recorded at the rate ruling at the 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.

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.

Tangible fixed assets

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 – 20% straight line

Computer equipment and software – 33 1/3% straight line.

Notes to the financial statements continued

Product development – 20% straight line

Investments

Investments are a form of basic financial instrument and are initially shown in the financial statements at market value. Movements in the market 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.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

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.

Creditors and provisions

Creditors and provisions are recognised where the Institute has a present 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. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Fund accounting

Unrestricted funds are those funds available to the Institute and group for its general purposes. They include funds designated (Note 17) 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.

2. Trading activities of subsidiary undertakings

The Institute has two wholly owned trading subsidiaries. A summary of their trading results is shown on page 40.

CQI Services Limited is incorporated in England and Wales. 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. 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.

Notes to the Financial Statements

2. Trading activities of subsidiary undertakings (continued)

	CQI Services Limited 2015 £'000	IRCA Japan KK 2015 £'000	Total 2015 £'000	Total 2014 £'000
Summary profit & loss accounts:				
Turnover	111	567	678	625
Operating costs	(43)	(378)	(421)	(486)
Operating profit	68	189	257	139
Interest receivable	-	-	-	-
Profit on ordinary activities before taxation	68	189	257	139
Taxation	-	(3)	(3)	(1)
Profit on ordinary activities after taxation	68	186	254	138
Gift aid/Royalty to parent charity	(68)	(177)	(245)	(134)
Retained in subsidiary	-	9	9	4
The assets and liabilities of the subsidiaries were:				
Current assets	80	418	498	402
Current liabilities	(70)	(322)	(392)	(306)
Total net assets	10	96	106	96
Aggregate share capital and reserves	10	96	106	96

Notes to the financial statements

3. Investment income

	2015 £'000	2014 £'000
Bank deposit interest	14	7
Dividend income from shares listed on the London Stock Exchange	38	35
Total	52	42

4. Total resources expended

	Staff costs £'000	Other direct activity costs £'000	Support costs £'000	Total 2015 £'000	Total 2014 £'000
Charitable activities					
Membership Services	1,224	865	1,243	3,332	3,451
Learning and Development	343	1,022	474	1,839	1,497
Awareness	92	28	59	179	172
Support Costs	848	928	(1,776)	-	-
Total charitable costs	2,507	2,843	-	5,350	5,120
Total charitable costs 2014	2,510	2,610	-		5,120

Support costs totalling £1,775,686 (2014: £1,912,054) 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 2015 £'000	Total 2014 £'000
Membership Services	594	365	72	148	65	1,244	1,450
Learning and Development	226	139	28	56	25	474	396
Awareness	28	17	3	7	3	58	66
Total Support Costs	848	521	103	211	93	1,776	1,912
Total Support Costs 2014	835	730	101	148	98		1,912

Notes to the financial statements

6. Governance

	2015	2014
	£'000	£'000
Meetings and travel expenses	21	19
Audit fees	18	18
Legal and professional	54	61
Total	93	98

7. Net outgoing resources for the year

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

	2015	2014
	£'000	£'000
Depreciation	268	499
Operating lease rentals for land and buildings	281	261
Auditor's remuneration - External audit (excludes VAT)	17	17
Auditor's remuneration - Other services (excludes VAT)	1	10

8. Staff costs

	2015	2014
	£'000	£'000
Wages and salaries	1,937	1,971
Social security costs	226	225
Pension costs	158	164
Termination payments	16	6
Other staff costs	170	144
Total	2,507	2,510

Other staff costs includes staff training, welfare and recruitment and fees for agency staff.

	2015	2014
The average monthly number of employees during the year was as follows:		
Number of employees involved in charitable activities		
Membership	21	21
Learning & Development	8	6
Communications	11	10
Number of employees involved in non-charitable activities		
Support	9	9
Total	49	46

The number of employees whose emoluments fell into the following bands were

	2015	2014
£60,001 – £70,000	1	4
£70,001 – £80,000	-	1
£80,001 – £90,000	2	1
£90,001 – £100,000	1	-
£130,001 – £140,000	-	1
£140,001 – £150,000	1	-

The Institute made contributions of £57,605 (2014: £51,404) to the money purchase personal pension schemes of five (2014: seven) employees whose emoluments exceeded £60,000. The Institute considers its key management personnel comprise the trustees and the Senior Management Team. The trustees provide their time free of charge. The total remuneration, benefits and pensions paid to the SMT in the year was £443,110 (2014: £501,157).

Notes to the financial statements

9. Members of the Board

No member of the Board received any remuneration in 2015 (2014: £nil). A total of £9,790 (2014: £6,155) was paid to, or to third parties on behalf of, eight (2014: three) members of the Board in reimbursement of expenses incurred on Institute business during the year.

Estelle Clark resigned as Chair of the Board in December and was appointed as Head of Profession on an interim basis. She received £4,800 for payment for her services as Interim Head of Profession with the permission of the Charity Commission.

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.

				2015 £'000	2014 £'000
Overseas taxation				1	3
11. Tangible fixed assets Group and Institute					
	Improvements to premises	Office equipment and furniture	Computer equipment software	Product Development	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 January 2015	192	93	1,343	-	1,628
Additions in year	-	21	124	19	164
As at 31 December 2015	192	114	1,467	19	1,792
Depreciation					
As at 1 January 2015	68	62	1,095	-	1,225
Charge for the year	19	21	228	-	268
As at 31 December 2015	87	83	1,323	-	1,493
Net book value					
As at 31 December 2015	105	31	144	19	299
As at 31 December 2014	124	31	248	-	403

Included in tangible fixed assets (office equipment and furniture) are costs of £9,492, depreciation of £4,944 and net book value of £4,548 (2014: 4,827) relating to assets purchased by IRCA Japan KK.

Notes to the financial statements

12. Fixed asset investments

	Group		Institute	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Listed investments	1,206	1,132	1,204	1,132
Unlisted investments	-	-	10	10
Market value as at 31 December 2015	1,206	1,132	1,214	1,142
Analysis of movement:				
At 1 January 2015	1,132	1,068	1,142	1,078
Additions	52	-	50	-
Net gains	22	64	22	64
At 31st December 2015	1,206	1,132	1,214	1,142

Listed investments

In January 2011 an investment was made in a Common Investment Fund. As at 31 December 2015 the fund comprised 43% UK equities, 40% overseas equities, 16% Bonds and 1% cash. Their market value as at 31 December 2015 is shown above.

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 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

Notes to the financial statements

13. Debtors

	Group		Institute	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade debtors	131	312	82	221
Amounts owed by Group undertakings	-	-	243	179
Other debtors	98	156	61	116
Prepayments and accrued income	460	507	454	497
Total	689	975	840	1,013

14. Creditors

	Group		Institute	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors	159	87	126	55
Other taxes and social security	80	71	51	54
Other creditors	28	26	28	26
Accruals and deferred income	816	978	737	902
Total	1,083	1,162	942	1,037

15. Deferred income

	Group		Institute	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
At 1st January	809	600	736	487
Amount released to incoming resources	(809)	(600)	(736)	(487)
Amount deferred in the year	694	809	619	736
At 31 December	694	809	619	736

Included in creditors for the year is a total of £694,305 (2014: £808,991) which relates to deferred income. This is income 2016 fees raised in October, November & December 2015. This figure consists of £59,555 (2014: £70,611) for examination fees, for £387,652 (2014: £347,805) for CQI Membership, £9,152 (2014: £65,268) for CQI Training, £90,135 (2014: £122,020) for IRCA fees from training providers, £53,833 from IRCA OEA fees and £93,978 from IRCA membership fees.

16. Other financial commitments

	Land and buildings	
	2015	2014
	£'000	£'000
Not later than one year	289	289
Later than one year and not later than five years; and	1,154	1,154
Later than five years; and	72	361
Other taxes		
Lease payments recognised as an expense	229	231

Notes to the financial statements

17. Funds

All assets and liabilities are held within unrestricted funds.

Groups

Fund name	Fund balances brought forward	Income	Expenditure	Transfers	Gains and losses	Fund balances carried forward
	£'000	£'000	£'000	£'000	£'000	£'000
General Funds	2,117	5,542	(5,018)	(1,234)	22	1,429
PQG Reserve	101	31	(26)	-	-	106
IT Project Reserve	150	-	(38)	688	-	800
Fixed Asset Reserve	403	-	(268)	164	-	299
Product development reserve	-	-	-	382	-	382
Total funds	2,771	5,573	(5,350)	-	22	3,016

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 2018.

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. New products will be launched during 2016 and 2017.

18. Analysis of assets between funds

Fund name	General funds	PQG reserve	IT project reserve	Fixed asset reserve	product development reserve	2015 total funds	2015 total funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	-	-	-	299	-	299	403
Investments	1,155	51	-	-	-	1,206	1,132
Currents assets	1,357	55	800	-	382	2,594	2,398
Current liabilities	(1,083)	-	-	-	-	(1,083)	(1,162)
	1,429	106	800	299	382	3,016	2,771

19. Reconciliation of reported net income

Net income as previously stated as at 31 December 2014	£'000
Adjustment for gains on investment now treated as a component of net income	(59)
Net income restated as at 31 December 2014	64
	<u>5</u>

Board of Trustees

Position	Appointed	Current office holder	Term of office	End of current term
Chair	September 2014	Estelle Clark	3 years	Resigned
Chair	September 2015	Ian Mitchell	3 years	September 2018
Board member	September 2014	Peter Bennett	2 years	September 2017
Honorary Treasurer	September 2012	Tony Harper	3 years	Resigned
Honorary Treasurer	December 2015	Louise Kavanagh	3 years	September 2018
Board member	September 2014	Colin Head	3 years	September 2017
Board member	September 2012	David Watson	3 years	Resigned
Board member	September 2015	Tim O'Hanlon	3 years	September 2018
Board member	September 2014	Amanda McKay	3 years	September 2017
Board member	September 2014	Andy Pitt	3 years	September 2017
Board member	September 2014	David Straker	3 years	September 2017
Board member	September 2015	Phil Parker	3 years	September 2018

Advisory Council

Position	Elected	Current office holder	Term of office	End of current term
Chair	September 2015	Steve Warwood	3 years	September 2018
Member	September 2012	Louise Boulter	3 years	September 2018
Member	September 2012	Hilary Smith-Milne	3 years	September 2018
Member	April 2014	David Riley	3 years	September 2017
Member	September 2012	Dr. Nigel Croft	3 years	Resigned
Member	September 2012	Richard Allan	3 years	September 2018
Member	September 2012	Stephen Beggan	3 years	September 2018
Member	September 2012	Janette Large	3 years	September 2018
Member	September 2012	Simon Treharne	3 years	September 2018
Member	September 2013	Bob Woodham	3 years	September 2016
Member	September 2013	Ian Lowrie	3 years	September 2016
Member	September 2014	David Hutchins	3 years	September 2017
Member	September 2014	Roxann Dawson	3 years	September 2017
Member	September 2014	Hannah Murfet	3 years	September 2017
Member	September 2015	Leigh Henderson	3 years	September 2018
Member	September 2015	David Seear	3 years	September 2018
Member	September 2015	John Oakland	3 years	September 2018
Member	February 2016	Trevor Walton	3 years	February 2019

Key Management Personnel

Director General and Chief Executive

Simon Feary

Acting Chief Executive

Vince Desmond

Interim Head of Membership

Richard Green

Head of Human Resources

Sophie Langkjær-Øhlenschläger

Executive Director, Finance & IT

Otto Balsiger

Head of Learning & Development

Tally Singer

**Head of Communications
& Marketing**

Timothy Coulthard

Principal professional advisers

Bankers

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

External auditors

haysmacintyre
Chartered Accountants
26 Red Lion Square
London
WC1R 4AG

Investment managers

Newton Investment Management Ltd
BNY Mellon Centre
160 Queen Victoria Street
London
ECV4 4LA

Scottish Widows Bank Plc
67 Morrison Street
Edinburgh
EH3 4YJ

Solicitors

Russell-Cooke LLP
2 Putney Hill
London, SW15 6AB

CQI branches & boards 2014 –15

Eastern Region

Chair: vacant
Sec: vacant
Regional representative: vacant
Treasurer: G Seymour

Milton Keynes

Chair: A Thompson
Sec: P Robinson

North London

Chair: T Brown
Events co-ordinator: K Lane

Chiltern

Chair: M Blackmore
Sec: J Twomey

Greater Peterborough and Cambridge

Chair: D O'Connell
Events co-ordinator: A Pinkney

Midlands Region

Chair: M Braham
Regional representative: J Adshed
Treasurer: J Adshead

Leicester and Coventry

Chair: G Beddoe
Sec: M Thistlethwaite

Wolverhampton

Chair: M Braham
Sec: Vacant

Birmingham

Chair: G Holt
Sec: B Hughes

Derby and Nottingham

Chair: S Dewsbury

North Eastern Region

Chair: B Cutter
Regional representative: B Cutter
Treasurer: B Cutter

Teesside

Chair: T Walton
Sec: A McGlynn

Tyne and Wear

Chair: C Hughes

Northern Region

Regional representative: V Williams

Cumbria

Chair: J Swain
Sec: G Edmondson

Yorkshire

Chair: H Everson
Sec: J Mace

Greater Manchester

Chair: J Davies
Sec: E Parry

Scotland

Chair: S Coles
Regional representative: C Campbell

West of Scotland

Chair: R Rivans
Sec: J Marven

East of Scotland

Chair: A Solway

North of Scotland

Chair: C Campbell
Sec: K Scott

Northern Ireland Region

Chair: D McQuade
Sec: S Treharne
Regional representative: S Treharne
Treasurer: D Montgomery

Northern Ireland

Chair: D McQuade
Sec: S Treharne

South Western Region

Chair: vacant
Sec: vacant
Treasurer: vacant

Avon

Chair: A Fumpson
Sec: D Ramsay

Devon and Cornwall

Chair: R Bloomfield
Sec: C Ball

Gloucester

Chair: Paul Snowdon
Sec: G Martin

Wales

Chair: D Lewis

Wessex

Chair: D Smith
Sec: J Skinner

South Eastern Region

Chair: H Bell
Regional representative: H Bell
Treasurer: vacant

Kent

Chair: T Harrington
Sec: J Spain

London South West

Chair: C Frate
Sec: M Geoghegan

Southern

Chair: J Howell
Sec: C Valentyne

Thames Valley

Chair: R Kirby
Treasurer: T Gould

Surrey

Chair: vacant
Sec: H Bell

Sussex

Chair: vacant
Sec: H Bell

Overseas**Hong Kong**

Chair: V Chui
Sec: J Lee

