

# Management & Governance Report

Chartered Institute of Credit Management

Year ended 31 December 2017

Prepared by Moore Stephens LLP



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# 1. Introduction

## **The purpose of this document**

The purpose of this Management and Governance letter is to set out the significant matters which came to our attention during the course of our audit of the financial statements of the Chartered Institute of Credit Management and its subsidiary CICM (Services) Limited (the “Charity”) for the period ended 31 December 2017. In accordance with the International Standard on Auditing (UK and Ireland) 260, Communication of audit matters to those charged with Governance, (ISA 260) we are required to communicate matters arising from our audit to the trustees.

## **Audit opinion on the financial statements**

Our audit work is designed to consider whether the financial statements of the Group give a true and fair view of the state of affairs of the Charity and of its results for the period under review taking into account the requirements of:

- UK Accounting Standards (UK Generally Accepted Accounting Practice);
- Companies Act 2006 (Company Limited by Guarantee);
- Charities Act 2011; and
- Charities SORP 2015 (effective January 2015)

Our objective is to use our knowledge of the charity gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form the above audit opinions on the annual financial statements of the charity and should not be relied upon to disclose errors or irregularities which are not material in relation to those financial statements.

## **Recommendations**

All issues raised in section four of this Management & Governance report have been discussed with management and we have included responses where appropriate.

## **Independence**

We have not identified any issues with regards to integrity, objectivity and independence.

### Acknowledgements

We would like to thank all staff who were involved in the audit for their help and co-operation during our audit visit.

### Limitations

Please note the following important limitations with regard to the content of this letter:

- It has been prepared for the sole use of the Charity;
- It must not be disclosed or quoted to a third party, in whole or in part, without our prior written consent
- We assume no responsibility to any other person

An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, you should not expect the audit to identify all such matters.

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## 2. Audit matters

### **Audit progress and status**

We have completed our audit of the financial statements that are due to be approved by the trustees.

Where we have made recommendations for improvement arising from our audit, these are set out in section four.

### **Financial statements audit opinion**

Based upon our work carried out to date, and if no significant events occur up to the date of signing, we anticipate being able to issue an unqualified audit opinion.

We do not expect to make any modifications to our audit report. However, our responsibilities with regard to the audit report extend up to the date on which it is signed and we will advise you of any changes to this position if necessary.

When the financial statements are signed you will receive one copy signed by the Senior Statutory Auditor, Nick Simkins and all other copies will be signed in the name of Moore Stephens LLP.

### **Material weaknesses in the accounting and internal control systems**

During the course of our audit, we examined the principal internal controls which the trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of the Group's accounting records and to safeguard the Charity's assets.

Details of our recommendations can be found in section four of this report.

### **Qualitative aspects of accounting practices and financial reporting**

During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements.

There are no matters which we consider should be brought to your attention.

### **Trustees' report**

We review the content of the Trustees' Report to ensure that there is consistency with the financial statements and to ensure that all necessary disclosures have been made.

There are no issues we wish to draw to your attention.

### **Related parties**

During the course of our work no significant issues were identified in relation to:

- Non-disclosure of related party transactions;
- Identification of significant related party transactions that had not been appropriately authorised and approved; and
- Disagreement with management regarding the accounting for and disclosure of significant related party transactions.



### 3. Audit amendments

#### Audit adjustments

Under the requirements of ISA 260 Communication of audit matters we are required to communicate all adjusted and unadjusted audit differences, other than those which are clearly trivial.

#### Adjusted misstatements

As part of our audit work no material adjusting misstatements were identified as part of our audit work.

The following audit adjustments were not classed as material items but were reviewed with management and adjusted for

	Profit and loss account		Balance Sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Presentational – movement of credit balances from debtors ledger			30	30
Additional deferred income	20			20
Movement of donations from 'other income'	4	4		
Investment analysis and adjustment		25	25	
	<b>24</b>	<b>(29)</b>	<b>55</b>	<b>(50)</b>

#### Unadjusted misstatements

The following unadjusted audit differences were identified.

	Profit and loss account		Balance Sheet	
	Dr £000	Cr £000	Dr £000	Cr £000
Additional purchase accruals	5			5
	<b>5</b>			<b>(5)</b>



## 4. Recommendations

The Charity's management is responsible for the identification, assessment and monitoring of risk, for developing, operating and monitoring the systems of internal control and for providing assurance to the Board that it has done so.

During the course of our audit of the financial statements for the period ended 31 December 2016, we examined the principal internal controls which the trustees have established to enable them to ensure, as far as possible, the accuracy and reliability of the group's assets.

We are required to report separately to those charged with governance where we identify missing or ineffective controls which, in our judgement, are of sufficient importance to bring to the attention of those charged with governance.

During our work we identified no such weaknesses in controls (described as "significant deficiencies" in the ISA). However, we have identified some areas in which we believe that improvements could be made to the accounting or internal control systems and these are set out below.

Whilst we have discussed these verbally with the relevant managers, we are reporting to you those of a material nature. We ask that you inform us of the steps you intend to take with regard to the issues noted below.

The matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Group.

In consequence, our work did not encompass a detailed review of all aspects of the systems and controls and cannot be relied upon necessarily to disclose possible frauds or other irregularities, or to disclose all possible weaknesses or improvements in internal control that a more extensive special examination might develop.

Other than those listed below, no significant matters have come to our attention as a result of the audit procedures performed.

Our recommendations are as follows:

1. Branch accounts	
<b>Observation</b>	We note that the branches are only required to submit returns and supporting evidence to head office at the end of each financial year and that not all branches send the requested information. Also head office do not have access to the bank accounts maintained by the branches.
<b>Implication</b>	There is a lack of control over the branch activities which could lead to misappropriation of funds. Also financial records in relation to branches are not kept up to date and recorded accurately in the group's financial statements.
<b>Recommendation</b>	We recommend that branch accounts are monitored throughout the financial period and that head office have full access to their accounting records.
<b>Management response</b>	We are currently making arrangements to have Anne Strahan (Finance Director) listed as the key account contact for all branch accounts.
<b>Timescale</b>	Immediately.

2. Debtors ledger review	
<b>Observation</b>	We noted that the closing debtors ledger contained a number of aged credit balances, some of which were carried forward from last year.
<b>Implication</b>	Not fully reviewing the debtors ledger could lead to bad debts or disputes with customers over monies owed
<b>Recommendation</b>	We recommend that a full review is conducted initially to discover the reason behind the existing aged items, and then these accounts can be corrected accordingly. Going forward we recommend a monthly review of the ledger to ensure no client balances become aged or un-reconciled.
<b>Management response</b>	
<b>Timescale</b>	Immediately.

### 3. ICM Chair in Credit Management fund

<b>Observation</b>	We noted that the ICM Chair in Credit Management fund has been carried forward for a number of years. However, the project is noted to have ended in 2008 yet the funds are still held.
<b>Implication</b>	Not reassessing the fund and allowing it to be carried forward demonstrates a lack of financial planning. Also the fund could be re-utilised in areas requiring financial support.
<b>Recommendation</b>	We recommend the trustees review the need for the fund going forward. As this is a restricted fund it would require a formal and minuted discussion in order to release the funds to another area.
<b>Management response</b>	
<b>Timescale</b>	

### 4. Changes under Financial Reporting Exposure Draft 68 (FRED 68)

<b>Observation</b>	Changes to FRED 68 have meant that the accrual of the gift aid payment from CICM (Services) Limited to the charity require a legal obligation. At the time of the audit there was no such obligation.
<b>Implication</b>	While the tax position remains unchanged under FRED 68, the financial statements would be incorrect to include the gift aid payment without the legal obligation.
<b>Recommendation</b>	We recommend a legal obligation is created by a deed of covenant or by amending the memorandum or articles of the subsidiary.
<b>Management response</b>	
<b>Timescale</b>	Immediately.

### 5. Physical transfer of gift aid payment required

<b>Observation</b>	It was noted that the gift aid payment from CICM (Services) Limited was made in the bank accounts within 9 months of the year end.
<b>Implication</b>	This can impact on the tax position if HMRC were to investigate. Not making a payment would render the gift aid provision invalid and lead to corporation tax being chargeable.
<b>Recommendation</b>	While the bank account is shared for both entities we would recommend making a payment out and into the account for the final gift aid payment.
<b>Management response</b>	
<b>Timescale</b>	9 months from year end.

## 6. Declaration of interest forms

<b>Observation</b>	It was noted that not all trustees completed and returned a signed declaration of interest form.
<b>Implication</b>	As well as being an annual requirement declaration of interest forms help to inform the finance department of potential related parties. Without this information transaction may go unchecked or un documents leading unauthorised transactions and inaccurate disclosure in the financial statements or
<b>Recommendation</b>	We recommend all trustees to complete and return the annual declaration of interest forms.
<b>Management response</b>	
<b>Timescale</b>	Immediately.

