



Audit Completion Report



The Chartered Institute of Logistics and
Transport – year ended 31 December 2017
May 2018

Strictly private and confidential



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The Trustees
The Chartered Institute of Logistics and Transport
Earlstreet Court
Earlstreet Road
Corby
NN17 4AX

May 2018

Ladies and Gentlemen

Audit Completion Report – Year ended 31 December 2017

We are pleased to present our Audit Completion Report for the year ended 31 December 2017. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we previously provided. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0117 928 1700.

Yours faithfully



Jonathan Marchant
Mazars LLP

Mazars LLP – 90 Victoria Street, Bristol. BS1 6DP
Tel: 0117 928 1700 – www.mazars.co.uk

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 3 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum of which the principal ones were:

- Management override of controls; and
- Revenue recognition.

Misstatement and internal control recommendations

Section 4 sets out internal control recommendations and section 5 sets out audit misstatements; unadjusted misstatements total £nil.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 December 2017.

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.

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2. AUDIT APPROACH

No significant changes to the audit approach noted from the Audit Strategy Memorandum issued at planning stage in February 2018.

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3. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Revenue recognition

Description of the risk

There is a risk of fraud in the financial reporting relating to revenue recognition due to the potential to inappropriately record revenue in the wrong period. Due to there being a risk of fraud in revenue recognition we consider it to be a significant risk on all audits. For The Chartered Institute of Logistics and Transport we see the revenue recognition significant risk as being principally in relation to cut-off.

How we addressed this risk

We addressed this risk by reviewing membership and events income to ensure that it was recorded in the correct period. Our testing of revenue is primarily substantive sample based and was designed to ensure that your revenue occurred by tracing through revenue transactions to event registrations or cash received.

Audit conclusion

Revenue cut-off testing was undertaken during the audit fieldwork and there was no indication of any material misstatements as a result of cut-off errors in income. No material misstatements were identified during the testing of material revenue streams.

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3. SIGNIFICANT FINDINGS (CONTINUED)

**Management
override of
controls**

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

During the audit we tested journals posted during the year. We use data interrogation techniques for this process and a 100% sample to look for unusual entries, posting sources and posting times that might indicate entries being made outside the normal course of business. Through this we did not identify any transactions which are indicative of a management override of controls.

3. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity’s accounting practices

We have reviewed The Chartered Institute of Logistics and Transport’s accounting policies and disclosures and concluded they comply with United Kingdom Accounting Standards (UK GAAP), including FRS102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”.

Significant matters discussed with management

VAT

In the past, the Institute has been included in a VAT group with the Chartered Institute of Logistics and Transport in the UK and PTRC Limited. Advice was sought during the year which advised that based on the perceived control of the Institutes that they should be treated separately. It is anticipated that the unwinding of this structure could result in a potential cost to the Institute. An accrual of £32,400 has been included in the financial statements for this liability.

Expenses

It was identified that an expense claim was submitted by K Newton on behalf of purchases for a number of individuals for items such as flights, travel and subsistence which he put on his credit card whilst away on a trip. The invoices totalled £8k, of which, £2k related to expenses incurred on behalf of Kevin Byrne. It was noted that the expense return for K Newton was approved by K Byrne. Whilst there were no issues noted with regards the appropriateness of these expenses, it has been noted here for completeness.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.



4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	-



4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of prior year points

Sales ledger

The sales ledger processing is predominantly managed by the Ireland branch. The Ireland branch transfer income periodically and the income is recognised on a receipts basis. .

Potential effects

The periodic receipts result in a lack of control over revenue recognition and debt recovery by head office staff. This can result in inaccurate accurate financial reporting. There is a risk that revenue is not recognised correctly or year-end debtors are misstated.

Recommendation

If it is not possible for these sales to be managed directly by head office, then more detailed and timely financial reporting of sales ledger activity from the Ireland office is necessary to strengthen the internal controls over revenue received.

Management response

This weakness associated with this control framework was reported to the February 2017 AC by the Finance Director. The matter was considered and it was decided to continue with the present arrangement but with provision of sales ledger information periodically from Ireland and for the Secretary General and Finance Director to consider further and make future recommendations to the IAC. This recommendation will be made at a future IAC.

2017 update

From discussion with management and review of the Trustee meeting minutes, we understand that the transition of the sales ledger is still ongoing and being considered. **Matter on-going**

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4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of prior year points

Minutes of meetings

Meeting minutes could not be provided for the Annual General Meeting held in the year.

Potential effects

Without signed documentation of the matters discussed at meetings, there is an enhanced risk of future legal dispute over statements or agreements made. There is also the risk that resolutions are not properly recorded and there is no evidence that the meeting was quorate.

Recommendation

Ensure that all meetings are minuted, approved and sufficient documentation is retained on file, with backups made to preserve data integrity if necessary.

Management response

Agreed. Draft minutes for the 2016 AGM have been prepared and will be provided to the 2017 AGM for approval.

2017 update

All minutes were provided during the audit. **Matter resolved**

Charity Commission website

Upon review of the Charity Commission website, it was found that some records were inaccurate, showing out-of-date contact details.

Potential effects

There is a risk that important communications from the Charity Commission may be missed due to inaccurate contact details, potentially resulting in fines or breaches in laws and regulations.

Recommendation

Details are updated immediately and reviewed on a regular basis to highlight any future discrepancies.

Management response

Agreed. Draft minutes for the 2016 AGM have been prepared and will be provided to the 2017 AGM for approval.

2017 update

Charity Commission details appear to be up to date at the time of the audit. **Matter resolved**

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of prior year points

Risk register

CILT does not hold an updated risk register - the latest version being from 2012.

Potential effects

Without an up-to-date risk register, there is a risk that the Trustees have not fully considered the risks that the charity could be presented with in the future. Moreover, the Trustees may not be fully prepared to mitigate such risks.

Recommendation

Regularly review the risk register during Trustee meetings to ensure that any new risks emerging are considered and a mitigating action addressed.

Management response

Agreed. The Secretary General will raise this point as an agenda item for the COT.

2017 update

No risk register in place. **Matter not resolved.**

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5. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment.

There were no changes to initial materiality levels communicated in our Audit Strategy Memorandum, which were:

- Overall Performance Materiality £8,181
- Triviality £307

The table outlines the misstatements that have been adjusted by management during the course of the audit. There were no unadjusted misstatements identified during the course of our work.

Adjusted misstatements 2017	SOFA		Balance Sheet	
	DR	CR	DR	CR
DR Expenditure CR Accruals	1,200			1,200
<i>Being the under accrual of an invoice</i>				

Disclosure amendments

There were no significant disclosure amendments made to the financial statements during the course of the audit.

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APPENDIX A – DRAFT MANAGEMENT REPRESENTATION LETTER

This representation letter is provided in connection with your audit of the financial statements of The Chartered Institute of Logistics and Transport for the year ended 31 December 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Charities Act 2011 and relevant legislation 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”.

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the following representations to you.

Our responsibility for the financial statements and accounting information

We believe that we have fulfilled our responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Charities Act 2011 and relevant legislation 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”.

Our responsibility to provide and disclose relevant information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the company you determined it was necessary to contact in order to obtain audit evidence.

We confirm as directors that we have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as we are aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

We confirm that all transactions undertaken by the company have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and shareholders' meetings, have been made available to you.

Accounting policies

We confirm that we have reviewed the accounting policies applied during the year in accordance with the requirements of Charities Act 2011 and relevant legislation 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” and consider them appropriate for the year.

Accounting estimates, including those measured at fair value

We confirm that any significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

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There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the company have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance Charities Act 2011 and relevant legislation 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”.

Laws and regulations

We confirm that we have disclosed to you all those events of which we are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

We acknowledge our responsibility as directors of the company, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We have disclosed to you:

- all the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

We confirm that all related party relationships, transactions and balances, (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of Charities Act 2011 and relevant legislation 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”.

We have disclosed to you the identity of the company's related parties and all related party relationships and transactions of which we are aware.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

We confirm all events subsequent to the date of the financial statements and for which the Charities Act 2011 and relevant legislation 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” require adjustment or disclosure have been adjusted or disclosed.

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Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

Going concern

To the best of our knowledge there is nothing to indicate that the company will not continue as a going concern in the foreseeable future. The period to which we have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

There are no unadjusted misstatements arising out of the audit.

Yours faithfully

Director



APPENDIX B – DRAFT AUDIT REPORT

Opinion

We have audited the financial statements of The Chartered Institute of Logistics and Transport (the ‘charity’) for the year ended 31 December 2017 which comprise the Statement of Financial Activities, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity’s affairs as at 31 December 2017 and of its income and expenditure 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustee’s report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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APPENDIX B – DRAFT AUDIT REPORT

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 5, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and regulations made or having effect thereunder. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Those standards require us to comply with the Financial Reporting Council's Ethical Standard. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Signed:

Mazars LLP Chartered Accountants and Statutory Auditor
90 Victoria Street
Bristol
BS1 6DP
Date:

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APPENDIX C - INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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