



Cambridge University Catholic Association

Key Issues Memorandum
for the year ended 30 June 2017

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This report is intended solely for internal purposes by the management and members of council of Cambridge University Catholic Association and should not be used by or distributed to others without our prior written consent. To the fullest extent permitted by law, PEM does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

1. INTRODUCTION

This report summarises the main issues arising from the audit of the financial statements of Cambridge University Catholic Association for the year ended 30 June 2017, which we wish to draw to the attention of the members of council. This report forms part of the ongoing communications we are required to make under International Standard on Auditing (ISA) 260 'Communication of audit matters with those charged with governance'.

This report has been drafted solely to report to you as trustee's matters in relation to our audit. All findings came to light during the course of our normal audit tests which were carried out on a sample basis and were designed to assist us in forming our opinion on whether the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of Cambridge University Catholic Association's affairs as at 30 June 2017 and of the results for the year then ended.

Our tests may not necessarily disclose all items which could be brought to the attention of the members of council and should not be relied upon to do so. This report should be read with the draft financial statements for the year ended 30 June 2017.

Roles and responsibilities

The members of council are responsible for ensuring compliance with charity legislation. They are responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the members of council confirm that our understanding of all the matters referred to in the memorandum is appropriate, having regard to their knowledge of the particular circumstances. Cambridge University Catholic Association's management are responsible for the identification, assessment, and management and monitoring of risks, for developing, operating and monitoring the system of internal control and for providing assurance to the members of council that they have done so.

Specific roles and responsibilities are outlined in the terms of engagement agreed in the PEM Engagement Letter dated 31 July 2017 which covers the audit of the 2017 accounts and future years' audits. General terms of engagement may be found on our website www.pem.co.uk

Acknowledgement

We would like to take this opportunity to thank your staff for the assistance they have provided to us during the course of our audit.

Yours faithfully

Peters Elworthy & Moore.
Peters Elworthy and Moore (PEM) 5 October 2017

2. SCOPE AND INDEPENDENCE

In line with ISA 260 and the APB Ethical Standards, we communicate to those charged with governance our independence and any other relevant factors.

Independence

Under current UK Ethical Standards, we are required to write to you to give you full and fair disclosure of any matters that may relate to our independence, or the perception of our independence, as Cambridge University Catholic Association's auditors. We considered our independence and objectivity before commencing planning our audit and communicated with you regarding these matters in our Audit Planning Strategy and Memorandum.

We have re-considered the relationship between you and our firm and have not identified any additional factors that have an impact on our ability to maintain our objectivity and independence.

Letter of representation

Before we can complete our audit we require a letter of representation from you. The letter will provide us with additional evidence in areas where we have relied upon representations from you during the audit. We suggest that you make your own enquiries of staff to verify that you support the representations that have been made.

Audit Report

We confirm that our audit has not revealed any matters which will require modification to our audit report and therefore at this stage we expect that an unqualified audit opinion will be issued.

The original audit report will be signed by Kelly Bretherick, on behalf of Peters Elworthy & Moore. The financial statements incorporating the original audit report should be retained with the charity's other permanent documents.

Liability to third parties

Our audit report has been drafted in accordance with International Standards on Auditing and the latest guidance from the Auditing Practices Board and our Institute. This involves the inclusion of a paragraph which clarifies our responsibilities as auditors. It does not affect our responsibilities to the charity or yourselves, nor does it mean that we would be unwilling to accept responsibility to any third parties, provided that our specific agreement to do so is obtained beforehand.

3. AUDIT AND ACCOUNTING ISSUES

Audit approach

Our audit approach is based on an assessment of the audit risks, both in respect of the charity as a whole and of the individual components of the financial statements. These are primarily determined by the inherent risk that a material misstatement may occur within the financial statements.

An item is considered material to the financial statements if, through its omission, over-statement or non-disclosure, the financial statements would no longer show a true and fair view. In order that we were able to perform an appropriate level of audit testing, a figure for materiality was calculated at the planning stage and then updated once full year figures were available. Our base materiality, 3% of total income in the period, has been applied across our audit.

Adherence to agreed timetable

The draft trial balance and supporting schedules and documents were available to us at the commencement of the audit fieldwork in accordance with the agreed timetable. The members of council's report information was submitted to us in accordance with the agreed timetable.

Matters to be brought to the attention of the members of council

Financial statements

As part of our audit we have considered and reviewed the charity's accounting policies in accordance with UK Generally Accepted Accounting Practice and we have not encountered any material departures. In our opinion the accounting policies selected are appropriate to the circumstances of the charity.

Accounting and internal controls

We have found the charity's accounting and internal control systems to be appropriate to the charity's needs based upon the nature and complexity of your activities and the need for any systems to be cost effective. No matters have come to our attention during our audit to suggest that any serious error has arisen with these systems during the accounting period under review. We therefore believe that the systems can be relied upon to produce financial statements that show a true and fair view.

There are, however, a number of recommendations that we have made regarding the accounting and internal control systems, which are set out in section 5.

3. AUDIT AND ACCOUNTING ISSUES continued

Other matters to bring to the attention of members of council

Investments

The existing investment portfolio held with Brewin Dolphin was dissolved shortly before the year end resulting in only £15,859 being held in cash by Brewin Dolphin. Proceeds from the sale of the investments, amounting to £4m were transferred to the Barclays current bank account in June 2017. However, as this sum is intended to be re-invested in Hargreaves Lansdown, the balance has been shown as cash held for investment purposes as at 30 June 2017.

We understand the investment portfolio will be managed internally by the Treasurer through Hargreaves Lansdown. Due to the size of the portfolio, it is important that decisions on acquisitions and disposals are discussed and minuted at meetings to ensure agreement by the Council or Finance Committee before transactions take place.

4. AUDIT RISKS AND OUR FINDINGS

Professional standards require us to consider two standard risks for all organisations: **Management override of controls** and **Revenue recognition**. Restricted funds was also identified as a significant risk to your organisation.

Area of focus and why

Our approach and findings

Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

In line with our methodology, we carried out appropriate substantive procedures, including a review of journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There were no issues.

Revenue recognition

There are two components to this risk - completeness (whether all the revenue the charity is entitled to has been included) and recognition (whether the correct amount has been recognised in the accounting period under consideration). These risk components are relevant to all of the charity's income streams.

We adopted a substantive testing approach consisting of detailed testing and analytical procedures, to satisfy ourselves that total income for the year is in line with expectation and supporting documentation and accordingly assess the completeness of the reported revenue balances. There were no issues.

Restricted income

The risk that restricted income has not been correctly identified or that restricted expenditure is not in line with the specified purposes.

We reviewed the systems in place with regard to the identification of restricted income and completed substantive testing and have also reviewed the allocation of expenditure to restricted funds and test checked a sample to ensure they had been applied in line with the terms of the fund. There were no issues.

5. MATTERS ARISING FROM OUR WORK

PEM findings	Recommendation	Your comments
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Grant Commitments

It was noted that the grants given out during the year were not detailed as approved in the minutes.

It is best practice to note the individual grants approved in the minutes as this keeps a record of commitments ensuring a complete audit trail.

6. MATTERS RAISED IN OUR 2016 KEY ISSUES MEMORANDUM

PEM findings

Recommendation and your comment

Update this year

Register with the Data Controller

The association is not registered on the Data Controller Register.

Whilst an exemption exists for Not for Profit Organisations, the charity may wish to visit the ICO website and consider registering voluntarily, in line with best practice.

We are pleased to confirm that the association is now registered on the ICO Data Controller Register.

Database for donor records and membership lists

Previously we advised that CUCA examine the ways in which it was maintaining both donor records and membership lists, noting that there were two separate databases which contained overlapping but not identical information and those different individuals had either shared or sole access to these databases.

We recommended that CUCA consider the cost verses benefit of investing in a new database system to improve efficiencies. A programme was being written that will be able to read the existing database and allow gift aid claims to be made from the database.

We understand the existing database was frozen as at 30 June and a new database is currently being written with all existing information being collated onto it. We understand this has already gone live.

7. SUMMARY OF ADJUSTMENTS

We are required to inform you of any significant adjustments made to the financial statements presented for audit that have been identified during the course of our audit, following discussions with you and your staff. You should review these adjustments in order to satisfy yourselves that they have been properly made. Confirmation that you have done so should be communicated to us within the letter of representation.

We are pleased to report no potential adjustments were noted during our work.

Nature of adjustment	Adjusted items		SOFA effect £	Comments
	Debit £	Credit £		
<i>Reclassification of Lopes Fund expenditure</i>				
Lopes Fund		577		Being the reclassification of Lopes Fund
Lopes Fund Expenditure	577		(577)	expenditure to correct opening restricted funds.
Total effect on surplus for the year			(577)	