



Annual Report 2004

The Bob McDonald Award

The Bob McDonald Award is named in honour of the first Australian to hold the position of International Chairman of IIA Inc and of his outstanding contribution to the profession of internal audit.

The Award is made to an individual in recognition of outstanding service to the internal audit profession in Australia, to the Institute of Internal Auditors - Australia, or to the theory of internal audit or to the practice of internal audit.

From the citation presented to Frank on the 20 June 2004, at the President's dinner, prior to the opening of the IIA International Conference, *The Bob McDonald award is the highest honour that can be conferred by the Institute on an internal auditor, and in the opinion of the IIA-Australia National Board, Frank Bowles is a most-worthy recipient of it.*



Bob McDonald and Frank Bowles

The Institute of Internal Auditors–Australia

The Institute of Internal Auditors–Australia is the primary body in Australia representing, promoting and developing the professional practice of Internal Auditing in all its forms. The Institute has branches across Australia with membership being drawn from both private and public sectors.

VISION

To be the primary professional association in Australia dedicated to the promotion and development of the practice of internal auditing.

MISSION

To enhance, promote and support the profession of internal auditing.

OBJECTIVES

1. To increase private and public sector recognition of the value of internal auditing.
2. To be recognised as the provider of professional development and accreditation for internal auditors.
3. To provide leadership on standards and practices of internal auditing, including:
 - Risk Management
 - Control and
 - Governance
4. To be recognised as enhancing and supporting the professional careers of our members.
5. To maintain a cost-effective organisation.

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PRESIDENT'S REPORT

The Institute of Internal Auditors-Australia ABN 80 001 797 557



**Mr Robert Forbes CIA MIIA(Aust)
National President**

The 2004 year was one of planning the future of the Institute, enjoying an active professional development program and the hosting of the 2004 international conference.

Financial Report

The audited financial statements for the year to 31 December 2004 are attached hereto with those financial statements revealing a strong trading result for the Institute and a significant increase in net assets. The majority of the surplus can be attributed to the international conference where under a written agreement with IIA Inc, IIA Australia was entitled to 62.5% of the conference surplus. We also saw above budget membership levels which assisted in the very pleasing result.

A small surplus is expected in 2005 but with record members registered to attend SOPAC 2005 in Brisbane, I am anticipating another healthy financial result. These surpluses allow the Institute to undertake various research, advocacy and member services projects.

The Institute has its financial processes oversighted by an internal auditor, external auditors, Audit Committee and regular reviews by the National Board.

2004 International Conference

The international conference held in Sydney was highly rated by the registered delegates and the various sponsors and exhibitors. Four years of hard work by IIA-Australia staff and a large team of volunteers came together in the seven days of conference events and associated meetings. I must thank Michael Parkinson as conference chair, the other members of the organising committee, IIA staff and the volunteers who all made the conference such a success. The conference was an opportunity to showcase the Australian internal audit profession and Australia itself to the delegates from 75 countries.

Advocacy and Profile

The Institute has been busy in 2004 on advocacy and profile matters including final input into the CLERP 9 legislation, representation on the ASX Corporate Government Council, meetings with the heads of regulatory bodies and meetings with other professional bodies. There is no doubt that in the Australian financial services sector, the Institute, with some 2000 plus members, punches above its weight when it comes to advocacy and the ability to be heard.

Strategic Planning

In October 2004 a number of IIA-Australia members met to discuss and identify the key strategic priority areas. The areas so identified were regulatory issues, evidencing value for money of membership, structure/delivery models and the standard delivery of member services. It was identified at and prior to the October 2004 meeting that whilst the Institute has good support from the public sector and service providers, there was perceived insufficient support, or members, from the private sector. Late last year the National Board acknowledged the lack of private sector members by the appointment of two directors at large being Andrew Dix, CAE of Telstra and Todd Davies, CAE of John Fairfax Publishing.

Other National Board Movements

There have been several other Board movements in recent times being the retirement of Peter Brass (South Australia), Dean Wells (Victoria) and Peter Wise (Tasmania) from the National Board. I thank each of these gentlemen for the contribution they have made to the Institute and welcome the new Board members in Jim Gouskos, Jean Jansen and Peter Austen.

International Chairman

The June 2004 conference saw the conclusion of the term of Chairman of the IIA of Bob McDonald. During his year in office Bob was active in his visits to Australian chapters and travelled extensively overseas. His position did provide us with the means to make our views known on the global profession of internal audit and our Institute is better recognised and positioned thanks to Bob. The new chairman is Betty McPhelimy from Chicago who will be attending SOPAC 2005.

Membership Growth

Late in the 2003 year our membership exceeded 2000 and has grown to some 2150 at the time of preparing this report. Chapters in Queensland, Victoria and Canberra have all shown positive growth with Queensland membership increasing by 14% over the previous year. All professional services organisations exist on the lifeblood of membership and volunteers and we must continue to demonstrate real sustained growth

New Constitution

The new constitution was adopted by the members at the AGM held in Melbourne in May 2004. This constitution allows the appointment of directors at large which has been referred to earlier.

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Certifications

The CGAP qualification was offered in November 2004 with a modest number of candidates. With many of our members in the government sector, or consulting to that sector, I see being a CGAP as a means to differentiate yourself from other audit professionals.

CIA Certification

Congratulations to the following members who were successful in gaining the Certified Internal Auditor status in 2004.

- Anthony Belcher
- Sandra Bunney
- Ramon Cayamanda
- Stephen Cull
- Peter Francis
- Shari Frew
- Adrian Galea
- Kerrie Gibbons
- Terry Goh
- Paul Gosnold
- Benjamin Hoare
- Steven Ingram
- Oktay Kaya
- Dennis Krallis
- Sara Lam
- Carolyn Lilley
- Matthew McDonald
- Alison Mahoney
- Christopher Metha
- Dennis Moth
- Stephen Owens
- Nicole Rankine
- Subramanian Sangameswaran
- Jacob Selvamoney
- Penelope Shield
- Donna Smith
- Rajesh Sharma
- Alistair Squires
- Rosabelita Sta Rosa
- Maria Stewart (nee Gangsater)
- Khai Teh
- Brendan Tozer
- Pauline Wong
- Anthony Yates
- Yiling Zhang

Donna Smith (Queensland) and Matt McDonald (NSW) were awarded the William S. Smith Certificate of Honour Award for their outstanding performance on the May 2004 CIA examinations. This means that in addition to successfully completing the CIA exam in one sitting, they also submitted one of the twenty-five best exam papers following those of the Gold Medallist and the five Certificate of Excellence recipients. The Certificate of Honour is one of the prestigious William S. Smith Awards for Outstanding CIA Examination Performance.

These Awards are named in honour of the first Chairman of the Board of Regents, who was a driving force behind the development of the CIA program.

Congratulations to the following members who were successful in achieving CCSA in 2004.

- Ramon Cayamanda
- Suresh Chand
- Rebecca Faloon
- Adrian Galea
- Paul Stanley CIA
- David Worthy

Congratulations to the following members who were successful in achieving CGAP in 2004.

- Stuart Cameron CIA
- Robert Fernihough CIA
- Benjamin Hoare CIA
- Timothy Kelly CIA
- Carolyn Lilley CIA
- Ian Stuart Lyall CIA
- Jakkilyn Mckenzie
- Subramanian Sangameswaran CIA

Continuing Professional Education

A number of CPE programs were offered either on a chapter or national basis. The CPE can range between short lunchtime seminars to day long courses to chapter conferences. Where possible we should involve other professional groups in order to determine their views on the role that internal audit can play in the governance structure of an organisation.

Vale

Immediately following the SOPAC 2005 conference I became aware of the deaths of two IIA-Australia members, being Frank Bowles and Simon Lee. Frank was a longstanding member of the Canberra chapter and was presented with the Bob McDonald Award at the 2004 International Conference. He had been unwell for sometime but maintained full-time employment until shortly before his death. Simon Lee had been employed in recent years within Queensland government internal audit units (Department of Primary Industries and Queensland Health). We offer our thoughts and best wishes to the two families.

Only a few members may have known Barry Robinson of Jamaica. Barry attended the conference in Sydney last year and 'adopted' the Australian contingent at any overseas international conference. Early in 2005 we learned that Barry had died over the New Year period at the age of 51 and we were very saddened by this event.

Conclusion

My thanks to Chris McRostie, Julie Young, Anna Soo, Cathie Moore and the other national office staff for their diligent work which made 2004 such a successful year.

Robert Forbes CIA MIIA(Aust)
National President

CHIEF EXECUTIVE OFFICER'S REPORT

The Institute of Internal Auditors-Australia ABN 80 001 797 557



Mr Christopher McRostie
Executive Director

Highlight for 2004:

The most significant event for IIA-Australia in 2004 was the hosting of the IIA Global International Conference in Sydney in June 2004.

The theme for 2004 was, "Be Inspired - Be Informed - Be in Sydney – 2004", and in 2004 Sydney and Australia managed to achieve the objective of the theme.

Attracting delegates from 75 countries and with close to 1,600 registered delegates, the 2004 Conference provided a program that clearly represented the diverse nature and opinions of the internal audit profession from across the world, with fifty percent plus of presenters coming from outside of Australia.

While the Conference was well supported by IIA-Australia members, there was also a tremendous level of support from IIA members in Asia Pacific and Africa. These two regions alone providing close to 400 delegates. The remainder of delegates came from Nth and Sth America and Europe.

I also would like to pay tribute to the IIA-Australia Organising Committee and the IIA-Australia Staff for the work and time devoted to ensuring that the conference was a 'world class event'. Additionally my thanks to the IIA-Australia Board for its ongoing support of the 2004 Committee and staff.

Leaders Planning Day:

In October 2004 IIA-Australia held its "Leaders Planning Day" with some 25 IIA-Australia leaders from across the country participating. Unlike the '2003 planning day' the 2004 day was spent refining the key messages and approaches that the IIA-Australia needed to be working

on. The 'leadership team' identified 'four key' areas for the IIA-Australia to focus upon in 2005-2006, those areas being, "Articulation of the role and function of Internal Audit", "Review the structure of the IIA-Australia", "Articulate the Internal Audit debate into the Regulatory Framework", "Quality of Member Services". All of the 'key areas identified' are consistent with the Strategic Plan and are aimed at providing a greater focus for the IIA-Australia Board, Chapter Councils and the National Office Team.

Administrative Matters:

2005 will see the first random audit of members CPE undertaken. As reported in 2003, the Board agreed to commence this once there had been two completed years of comprehensive record taking of members CPE attendance on the Institute's database. The great growth in member communication continues to expand with Chapters making effective use of the email system to contact members as a whole or to specific interest groups. Chapters also use the system to deliver their monthly Newsletter, alert members to Professional Development events and Members' meetings. In 2004, the Board agreed to the distribution of a 'new monthly magazine' to members titled *Risk Management*. The IIA-Australia has members on the magazine's editorial committee as a way of identifying key issues of interest for members. The first magazine will be delivered to members in February 2005.

CPE:

Continuing Professional Education (CPE) is one of the Institute's core functions as the primary internal auditor educator in Australia. The Institute's annual Conference, SOPAC, was not held in 2004, being replaced by the June International Conference. In addition to the National Conference, the Canberra, Western Australian and South Australian Chapters all ran very successful one day conferences/seminar. All chapters undertook and ran a broad range of training and seminars in 2004. The National Office also worked with various chapters to run Information Technology Master Classes in the latter part of the year. The IIA-Australia website that now carries the IIA-Australia's CPE 12 month rolling calendar continues to be well used, including online registration.

Certification:

The level of interest in the IIA's Global Certification Program continues to be high, with primary interest being taken in the Certified Internal Auditor Program (CIA). Interest in Certified Government Auditor Program has also increased with the revision of the content to reflect the global nature of the internal audit profession. The two remaining certifications CCSA and CFSA have had small enrolment numbers in 2004.

Membership:

Membership Analysis: As at the 31 December 2004, the IIA-Australia had 2,119 Financial Members – A great result for 2004. (IIA-Australia ended 2003 with 2038

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members). In addition, IIA-Australia has contact with further 3,500+ internal audit professionals on the 'potential member' list.

The Queensland, Victoria and Canberra Chapters lead the way with Membership Growth in 2004. On average these three Chapters had membership growth of 10%+ in 2004. It is anticipated that growth in membership will be maintained in 2005, due to internal audit's increasingly high profile in all sectors.

At the global level, membership of the IIA reached 105,000 in December 2004.

IIA-Australia Governance:

As reported previously, the new IIA-Australia Constitution came into force as from the AGM on the 18 May 2004. As a result of the changes, the Board appointed a total of four "Directors at Large" as allowed. The new Directors took up their positions in May 2004 and December 2004. The aim of appointing Directors in this manner is to ensure a mix of members from across the public sector, private sector and the consulting sector. The Board also agreed in 2004 to set up a 'Board self review/self assessment process' and consequently have been looking at possible models for introduction post the 2004 AGM.

IIA INC Global Governance:

Mr. William (Bill) Middleton, immediate past President of IIA-Australia was re elected by the Board of IIA-Australia to be the Australian Director. The IIA Inc Global Board met in Sydney in June and Orlando in December 2004, Mr. Middleton attended both meetings. In addition the Global Board meets from time to time by tele conference.

Chief Executive Officers Meeting is held as part of the IIA's move to become a more global organisation. Since the initial meeting of this group in September 2003, there have been an additional two meetings in 2004. Up to twenty affiliate CEOs are invited to attend these meetings with the aim to work more closely with the Global Office to ensure a more consistent approach on the implementation of policy on matters ranging from membership retention, advocacy, certification and Quality Assurance Reviews.

ASIA Forum:

The Asia Confederation Institutes of Internal Audit (ACIIA) formally met on two occasions in 2004. The June 2004 meeting was held in Sydney on the Sunday prior to the International Conference and the second meeting in the Philippines post the annual ACIIA Conference. Australia attended both meetings. In Sydney, Australia was represented by Mr. Bill Middleton and myself as IIA-Aust CEO and in the Philippines by Mr. Bob McDonald.

Strategic Alliance:

IIA-Australia's strategic alliance with The Institute of Chartered Accountants Australia remained intact in 2004, with a number of Chapters taking the lead on working with their local ICAA counterparts. The agreement comes up for review in March 2005.

Research and Advocacy

Throughout 2004 IIA-Australia undertook a number of initiatives to promote the IIA and Membership.

ASX Corporate Governance Council: IIA-Aust continues its involvement with the Council.

CLERP 9: IIA-Australia submitted additional comments on the proposals. Standards Australia: The IIA-Aust continues its work with Standards on two projects, one in relation to Corporate Governance Standards and its allied projects and the other on the Records and Information Management Committee.

Benchmarking Survey: In the first half of 2004, IIA-Aust and Ernst & Young jointly undertook a 'Benchmarking Survey' of the Internal Audit Function in Australia. The results of the survey were released in June 2004 and are available on the IIA-Aust website.

Salary Survey: In the second half of 2004, IIA-Aust and AMBITION jointly undertook a 'Salary Survey' of senior members to assess the impact on salaries of members in the previous twelve months. This report is also available on the IIA-Aust website.

IIA-Australia also provided a comprehensive response to the revised AS/NZ 4360 Risk Management Standard.

IIA-Australia participated in the publication of the revised *An Internal Auditor's Guide to Risk Standard AS/NZS 4360*.

IIA-Australia continues to liaise closely with the Audit and Assurance Standards Board and in late 2004 the National President and I had the opportunity to meet with the new Chair of the AuASB, Ms Merran Kelsall.

Meetings have been had with various Government Ministers and Shadow Ministers throughout 2004.

At the Global level the key issue that has the potential to impact on the Internal Audit Profession was the signing of a Memorandum of Understanding between IIA Inc (on behalf of the Global Organisation) and International Federation of Accountants (IFAC). This MoU outlines a number of key issues of joint cooperation, including working towards possible recognition of the IIA International Standards for Internal Audit.

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Administrative Agreement with IIA-NZ:

The Administrative Agreement between IIA-Australia and IIA-New Zealand was extended until the 28 February 2006. The IIA-Australia Board will be reviewing the agreement in the first half of 2005.

IIA-Australia Website:

The National Office will be reviewing the current IIA-Australia website in 2005 with recommendations going to the Board for its consideration.

Sponsorship:

The Institute continued to attract a range of sponsors in 2004, with a particular focus on the International Conference. In addition to dollar sponsorships, the Institute is increasingly attracting a higher level of in-kind sponsorship at the National and Chapter levels, ranging from assistance with CPE events to surveys, publications and jointly hosted functions.

2004 was a very productive and successful year for IIA-Australia and I would like to thank all members, Chapter Councils, the IIA-Australia Board for their on-going support of the Institute.

Christopher McRostie
Chief Executive Officer

Why not become a CIA?

The Institute of Internal Auditor's CIA designation has been awarded to 45,000+ members worldwide. The program is recognised by the top organisations in Australia and throughout the world.

CIA Study and Exam Format

There are four parts offered:

- | | |
|---------|--|
| Part 1: | The Internal Audit Activity's role in Governance, Risk and Control |
| Part 2: | Conducting the Internal Audit Engagement |
| Part 3: | Business Analysis & Information Technology |
| Part 4: | Business Management Skills |

For a copy of the CIA Brochure and details regarding registration and fees for 2005, please contact Julie Young – Manager Member Services (02) 9269155 or 1800 236 366 (from outside the Sydney Metro area) or e-mail julie.young@iia.org.au

National Education Policy Committee

The National Education Committee met four times during 2004.

The National Education Policy was refined by the Committee in readiness for implementation of random audits to the membership base in 2005. Members were advised in their 2005 membership renewals that such audits will be undertaken to ensure compliance.

The Committee also reviewed the Continuing Professional Education Program to ensure it aligned with the IIA-Australia 2004/2006 Strategic Plan and standardised ways in which information on the success of programs could be shared in all Chapters.

The website remained a successful method of marketing programs to the membership with a 12 month rolling calendar made available by all Chapters. The online registration enrolment was a popular method for participants to register for their selected professional development activities.

Finally, I would like to thank the Committee members for their support and input during my Chairmanship.

Peter Wise CGAP MIIA(Aust)
Chairman

National Profile Committee

The National Profile Committee, established by the Board at the final meeting for 1998, met four times (via teleconference) during 2004 and progressed its business through email and the administrative services provided by staff in the National Office.

The Aim and Role of the Committee is concerned with

- raising of the external profile of IIA-Australia
- the retention of existing members
- the identification of potential new members and
-
- the development and upkeep of valuable member services.

Various strategies were employed at the chapter level to increase membership and to raise awareness of the IIA-

2004 NATIONAL POLICY COMMITTEES

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Australia. These included an active Audit Executive Network meeting program, members' meetings programs, involvement in career days, SOPAC advertising, contact with other professional associations and targeted seminars to specialist groups.

The Email alert service was increasingly used to keep members and non-members informed of IIA-Australia activities and services, including an increase in the number of job opportunities. Information was supplied by Chapter Councils, National Office and IIA Inc. In the case of job opportunities, various recruitment agencies and prospective employers contacted the National Office to discuss appropriate wording.

IIA-Australia continued to have an 1800 information number (telephone) in all capital city telephone directories to provide advice and assistance to members and potential new members. The 1800 fax number was also utilised by members, especially for registrations at CPD and other member events.

The website remains a major public interface and resulted in an increased number of enquiries about membership, CIA and calls from members of the community about how we could assist them in their businesses etc. The development of an online booking form for courses has been well utilised.

A number of special offers were made to prospective members to encourage the take-up of membership.

Contact was made with a number of journalists on matters of concern to the IIA-Australia and a number of 'quick response surveys' undertaken with the assistance of a PR consultant and The Ambition Group, resulted in coverage in the *Australian Financial Review*.

Peter Brass CGAP MIIA(Aust)
Chairman

Certification Committee

This Committee was established by the Board of Directors of The Institute of Internal Auditors – Australia ("the Institute") to commence in November 2003. Its purpose is to explore and advise the Board on ways that:

- certifications may most effectively be used to meet professional needs of the Institute's members;
- certification programs may be used to enhance and publicly promote the Institute and the profession of internal auditing;
- the Institute may best support its members in the pursuit and attainment of certifications; and
- the Institute may influence the continued development and refinement of certifications offered by IIA Inc.

The committee met three times in 2004 and progressed its discussions through working parties. Areas being worked on include a support program for certification candidates; promotion of courses and qualifications (focus on CIA); the relative value of certifications. A trial promotional/Q and A seminar on the various certifications was conducted by the Queensland Chapter to great effect. 189 candidates in total, for 2004, sat for certification exams in Australia.

Dean Wells CIA CGAP FIIA(Aust)
Chairman

Standards Committee

In 2004, the Standards Committee met on an "as required" basis. The key areas of focus in 2004 were to provide a response on the *IIA Draft GTAG on IT Controls* publication; to assist an international research project in identifying initiatives from the Australian/New Zealand Governments in setting standards in relation to Sustainable Development; to provide a response to the OECD on the draft revisions of their principles of corporate governance; to provide a response to Standards Australia draft *Guidelines on Reports to the Board* document; to provide comment to ASIC on Clerp 9. Where possible, members are asked to provide comment through direct email or items on the home page of the website.

In 2004 the Committee was assisted in the development of submissions by an "IIA-Australia technical adviser" who undertook research work, coordination of committee input and writing of the final IIA-Australia submissions.

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At the International level, Mr Andrew McLeod CIA, is the Australian representative of the IIA-Australia to the Inc 'Standards Committee'.

The other major focus of the Committee is to arrange and coordinate National responses to any proposed changes to *the International Standards for the Professional Practice of Internal Auditing* from the IIA Inc Internal Auditing Standards Board.

The Committee also maintains a watching brief on the developments issued through the IIA Inc. Research Foundation, to provide an IIA-Australia response and to provide updates to members.

In addition the Committee continues to monitor and comment on auditing standards issued by the Australian accounting profession and to make representation to the Australian Audit and Assurance Standards Board.

Paul Apps MIIA(Aust)
Chairman

Professional Issues Committee

The Professional Issues Committee (PIC) met three times by teleconference during 2004 and progressed its business through email and the administrative services provided by staff in the National Office.

A Position Statement on Accountability and Control; Resourcing the Internal Audit Function: Guidelines for best practice was issued in 2004 to all members in hard copy; is included on the website and is included in the *Members Handbook* issued to new members. It attracted much positive feedback internationally. Thanks are due to Phil Moulton for his major contribution to this statement.

In progress is a *Better practice guide on Internal Audit*.

Work continues with other organisations on the review of *Audit Committees: Best Practice Guide*. An *Internal Auditor's Guide to Risk Standard AS/NZS 4360* was revised and re-issued and sells well.

Issues which the committee addressed during the year, and recommended action on, included comment on CLERP 9, COSO and AS/NZS 4360 reviews.

The committee takes an active role in identifying issues of professional interest to members and recommends appropriate action to the National Board or for direct communication to members via the National Office.

Mark Toogood CIA CGAP FIIA(Aust)
Chairman

Institute Facts...

International Affiliations

The Institute of Internal Auditors–Australia is an affiliate of The Institute of Internal Auditors Inc, an international professional association formed in 1941 and now possessing over 100,000 members in over 120 countries.

The Institute of Internal Auditors–Australia together with the Institute of Internal Auditors–New Zealand, constitutes the South Pacific Region of the international organisation.

Professional Standards

Members of the Institute are required to comply with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

Corporate Practices and Conduct

The directors support and have adhered to the principles set out in the paper "Corporate Practices and Conduct". The directors recognise that the paper expresses principles and does not purport to determine the detailed course of conduct of directors on any particular matter. By supporting the principles of the paper, the directors recognise the need for the highest standards of behaviour and accountability.

International IIA Inc committees

The following members represent IIA-Australia and IIA-New Zealand on various committees at the international level.

Executive Committee and immediate past Chairman of the Board - Robert N. McDonald CIA CGAP
International Board - Bill Middleton
Academic Relations Committee - Dr Keith Howson
Ethics Committee - John Boyd
Government Relations – Neville Moo
Internal Auditing Standards Board - Andrew MacLeod CIA
International Conference Committee - Bill Middleton
International Relations Committee – Michael Parkinson CIA
Professional Issues Committee - Michael Cox, Gary Anderson CIA
Professional Seminars - Stephen Tiley CIA

Thank you

The Institute wishes to thank all Board, Chapter Council and Committee members for their time and effort throughout 2004.

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Queensland

Acknowledgements

The following people are acknowledged for their commitment as volunteers in 2004:

- Stuart Dix for his organisation of lunchtime seminars and other professional development activities in 2005;
- Michael Martyn for his commitment to promoting the certifications offered by the IIA-Australia; for organising forums and for being available to undertake any task for which assistance is required. We acknowledge Michael's expertise in marketing SOPAC at the international conference;
- Tania Stegemann for providing a commitment to deliver quality training courses not only in Queensland but throughout Australia;
- Malcolm Duce for his ongoing commitment to the Qld Public Sector Annual Report Awards;
- Cathy Blunt who works consistently in assisting with the delivery of the professional development program and who in November 2004 facilitated the Chief Audit Executives Forum;
- Neville Moo and Karen Ung who contributed to the marketing of SOPAC 2005 at the International Conference; and
- Laud Botchwey who also assisted with the members meetings.

External Assistance:

As a not-for-profit organisation is always reliant on the corporate and business sector, we would like to acknowledge the following organisations:

- Moore Stephens for their invaluable support and assistance in relation to the Queensland Public Sector Annual Report Awards;
- Mrs Halina Duce for her ongoing commitment to supporting the Queensland Public Sector Annual Report Awards;
- PriceWaterhouseCoopers for providing the venue for this Annual General Meeting and also for the Internal Audit Network Group;
- Ernst and Young for providing venues for members' meetings, training courses, information sessions;
- Queensland Health and the Department of Natural Resources and Mines for providing support and venues for the information sessions on certifications;
- CEO and staff of IIA-Australia for whom I and the remainder of the Queensland Chapter Council are eternally grateful for the manner in which they provide support, guidance, counsel and assistance;

- Bill Henderson who has been an inspirational source of support and who has always been available to assist us in delivering training;
- Tim McGrath and Pat McCallum from Ernst and Young;
- John O'Driscoll from the Commonwealth Bank in Sydney who has made visits to Brisbane in 2004 to deliver a course that is consistently oversubscribed and for which we have a 2005 wait list; and
- The staff at PriceWaterhouse Coopers and Ernst and Young who provide excellent assistance to the Qld Chapter Council in facilitating venues and catering.

Members' Services

As part of our ongoing contribution to providing an effective organisation to our members the following services were offered in 2004:

- SHARE – our quarterly informative newsletter
- Library Facilities – in a cooperative arrangement with the Queensland Audit Office
- IIA-Australia Website with specific references to Queensland activities including presentations made at professional development activities
- Twinning Arrangement with San Jose in California.
- Representation by Queensland Councillors on both national and international committees.

Sponsorship

The Queensland Chapter Council provided awards, by means of a financial prize, in 2004 to students undertaking studies that have a focus on internal auditing at the University of Southern Queensland and the University of Central Queensland.

Additionally, the Queensland Chapter Council has encouraged its members to become mentors of students under the Queensland University of technology Mentoring Program.

Annually, the Queensland Chapter Council provides a financial contribution to the Queensland Audit Office Library for the purchase of reference material specific to internal audit and associated topics.

Professional Development

In 2004, the professional development activities offered included:

- Information Sessions
- Members' Meetings
- Internal Audit Network Group Meetings
- Lunchtime Seminars

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- Training Courses including:
 - 2 x Tools and Techniques
 - 3 x ACL and CAATS
 - Report Writing
 - Fraud and Investigation
 - Combined Business Risk and Integrated Control Framework course conducted at Cairns
 - Integrated Control Framework
- Chief Audit Executives Forum.

Twining

In 2004 our Twin Chapter – San Jose in California, selected Eric Allaegakoen to visit Queensland. Unfortunately due to work commitments Eric's visit was deferred and he will now be in Brisbane to attend SOPAC 2005 and will be a speaker at the conference.

Membership

As at 30 November 2004, the Queensland Chapter had a membership of 375 compared to 328 at the same time in 2003.

The Queensland Chapter endorsed a number of applications for Fellows of the Institute of Internal Auditors.

Achievements

In 2004 the Queensland Chapter Council maintained its focus on delivery of services to members in accordance with our operational plan which is aligned to the IIA-Australia Strategic Plan. The Councillors regularly review their status against Key Performance Indicators to ensure that focus is maintained and outcomes are being achieved.

Financial Performance

Annually, each Chapter is required to prepare a budget and as at October 2004, Queensland had exceeded budget expectations by approximately \$40,000.

2004 Queensland Office Bearers

Chairman: Jocelyn Newton CIA MIIA(Aust)
Vice Chairman: Cathy Blunt CIA MIIA(Aust)
Treasurer: Ian Rodin MIIA(Aust)
National Director: Robert Forbes CIA MIIA(Aust)
Secretary: Neville Moo MIIA(Aust)

Jocelyn Newton MIIA (Aust)

2004 Chapter Chairman

New South Wales

Achievements

While the hosting of the International Conference in Sydney had a substantial impact on our management strategies during the year, we were able to see a number of achievements which I feel are truly noteworthy. These include:

Profitability

On the latest available figures, we have almost achieved our ambitious budget for the year, and outperformed against the requirements set for the Chapter by the Board. Our profitability has resulted principally from the success of our PD program and the Hot Topic sessions which have performed to increased levels despite the impact of the International Conference which no doubt attracted CPD funds from members and which, expectedly, absorbed a deal of attention on the part of a number of our Councillors.

Communications

The reintroduction of our e-Newsletter which, we trust, has helped carry the message of IIA developments as well as providing a number of interesting articles mainly by NSW members. We commenced, and intend to follow through in 2005 with, a review of a range of issues relating to our Website and communications generally. We were delighted to see the National Office initiatives in this area, particularly the facility which allows registration and payment for professional development courses and members Meetings on-line.

Members Meetings

We saw increased numbers of members, and others, attending monthly Members Meetings, and staying on for the "Après Speech" aspect of the occasions. We have endeavoured and, with the assistance of sponsors, have succeeded in ensuring that the venues and the refreshments at those meetings are of a quality which is appropriate to match the standard of the presentations.

We have successfully re-implemented members meetings outside of the Sydney CBD. As it happened we held only one such meeting, at Penrith. It was a successful meeting from which we have the intention, and the plans, to hold a number of such meetings in 2005, focussing on Penrith, Newcastle and Wollongong.

Details of the various topics for the Members' Meetings in 2005 can be found from review of the Chairman's message segment of each of this year's Newsletters – to be found on the Net.

I should mention that we continue to hold Chairman's lunches and Audit Executive Network functions from which we receive very positive feedback. We understand they are providing useful fora for the exchange of information and views on current issues

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affecting the profession, as well as providing vehicles for us as members of Council to help understand the needs, and to meet the needs, of members.

Less Formal Activities

The holding of a Golf Day to help support the social interests of members, and to demonstrate our belief that the profession is enhanced through informal liaison as well as our more formal technical sessions.

Membership Numbers

While the membership numbers fluctuated throughout the year, I am pleased to report that there are approximately 755 members in NSW now compared with 730 reported at this time last year. We are intending to focus more heavily on this aspect in 2005, and are hopeful of increased numbers through communicating more effectively with our members and other interested parties. There are some thousands of people, in addition to members, who utilise Institute services in Australia.

The International Conference in Sydney in June also provided an opportunity to raise the profile of internal audit particularly in Australia. As importantly, it helped to raise the profile of Australian professionals within the international community.

Other achievements at a National level, for which Chris McRostie and the National president should be recognised in particular, include the many areas of advocacy where the Institute has been involved. In particular, I mention CLERP 9, the ASX Corporate Governance Council and the many professional bodies and government instrumentalities who have a policy association with governance issues in this country. I should mention that Todd Davies, who is a Board Director at Large, and a member of the NSW Chapter Council, is also very much involved with formal advocacy roles within the Institute.

Within the advocacy activities of the NSW Chapter, this year we pursued the issues we raised late in 2003 in relation to the use of an internal audit function within Local Government in this State. Our examination of that subject identified a number of areas where NSW Local Government compares poorly with a number of other States in Australia and very poorly against the standards adopted at federal and State government level. We have written to, and spoken with, the Minister for Local Government, and have held discussions with officers of the Department of Local Government. It is fair to say that our main disappointment this year is that, at this point in time, despite providing considerable support to the department and offering more, and despite the Department making a number of positive statements in the matter, we have not seen evidence of any progress on the subject from the Department.

The Elections

We have seen a deal of interest in nominating for the positions within the NSW Council. I am delighted to see that. In the year ahead we have two members who are returning to Council, another who occupied a casual vacancy for part of 2004 and three new members, all women, who will bring the Council a little closer to a gender balance but who, more importantly, will bring a wealth of experience and, I hope, energy and enthusiasm, to their roles. I welcome them all to the Council, thank them for their interest, and wish that they achieve all that they can in the interests of the Institute.

Conclusion

As Eric de Haas did last year, I also must acknowledge the fact that the NSW Council comprises an enthusiastic and energetic team undertaking their many tasks well beyond the call of duty. It is a voluntary role in each case, and any and all efforts are appreciated. I want to thank, on your behalf, those members of the Council who worked diligently and selflessly for the NSW Chapter. Some of the Councillors who began the year in Council had to leave, either to move interstate or to pursue their careers outside of internal auditing. Most of the team will be continuing into 2005 together with the new nominees at this AGM. I would like to wish them all the best for the year ahead and I look forward to working together with them. A special thanks also to their employers for their support of the IIA-Aust, and for allowing our Councillors the time to devote to Institute activities.

The National Office and staff of the Institute have also been of immense support, and I thank them very much also. Finally, I also thank the growing number of sponsor organisations for their support during the year, and for their continuing support.

2004 NSW Office Bearers

Chairman: Neil Adams FIIA(Aust)
Junior Vice Chairman: Barry Davidow MIIA(Aust)
Treasurer: Rajni Kant MIIA(Aust)
National Director: Paul Apps MIIA(Aust)

Neil Adams

2004 Chapter Chairman

Victoria

Your career as an Internal Auditor I am sure has been challenging and rewarding. However, if you were given the opportunity to go back to the beginning when you first made your choice to enter this profession, would you make that same career choice?

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I often ask myself this question and, I am sure just like you there are days when I resort to comments, that "it would be much easier to be stay home and do the gardening" Surely the flowers would not have these expectations of me.

The demands on an Internal Auditor are now very profound and I suspect that instead of meeting the so called "expectation gap" this gap is widening. Audit Committee members have an increased understanding of governance and their expectations of Internal Audit as to "what we do" seems to have metamorphosed into just about everything and anything to do with governance.

The look and feel of the role of Internal Audit has changed dramatically over the past five years and the rate of change in the past two years has been astonishing. For me it has meant that I now require extensive knowledge and understanding of my organisation. I am required to work closely with senior management to better understand the risk profile of the business. This is a huge change to the "flick and tic" style of internal audit that was done ten years ago,

Despite all this I am still in Internal Audit and still in the role as a Director of an Internal Audit Unit. I do find it exciting and stimulating in being able to contribute to the performance of my organisation through this role.

It is often said the Internal Auditor is the one person who gets to know all aspects of the business and is often the one you talk to if you want to know the quality of a particular procedure process or internal control. With this in mind I have to say that I look forward to the future with a degree of excitement about the difference this function can have on the organisation. As Internal Auditors we are a vital part of the business and contribute to it ongoing success. This is quite a responsibility!

Your continuing membership of the IIA-Australia indicates that you also believe there is a future for the role of the Internal Audit profession. The Victorian Chapter in 2004 has been able to provide to you professional education programs and members' meetings and numerous networking opportunities. The CIA program has become the recognised standard for the Internal Auditor and represents a continuing drive that you as members have to improve the performance and quality of the profession.

On a personal note I wish to acknowledge the work done by you as members over the past twelve months. The IIA is made up of only 2100 members in Australia, Victoria 320 prior to end of year and 100,000 internationally. This requires a lot of hard work to maintain the professional image that is so important. As a Chapter Council, our focus in 2004 was to try and meet your requirements in both the quality and the topics of the education programs. I believe we were

successful and this was exemplified by the numbers that have attended the education sessions. Thank you, I trust that if we provide the quality you will continue to support these programs.

The Chapter Councillors have certainly put in a lot of hours of their precious time to organise education programs and members meetings. I want personally to thank them because without their effort these programs would not proceed.

In this my final year as Chapter Chair I would like in particular to thank Gary Anderson. He has offered me enormous support and friendship during the year and it has been a pleasure to work with Gary with his very high professional standards.

On a very sad note I also wish formally recognise the contribution of the late Joe Mammana. Joe was a serving Chapter Councillor and a friend and colleague of many of you. Joe lost his fight to cancer last month. Joe will be missed, especially the enthusiastic manner in which he undertook his work with the Victorian Chapter.

Finally I also want to thank the staff of the IIA-Australia National Office. Chris McRostie and the other members of the team including, Julie Young, Anna Soo and Catherine Moore. They have picked up an increasing amount of the administration workload for Victoria which has given you, the members, a very much improved service.

2004 Victorian Office Bearers

Chairman:	Jean Jansen MIIA(Aust)
Vice Chairman:	Homi Burjorjee MIIA(Aust)
Treasurer/Secretary:	Cameron Duck CIA MIIA(Aust)
National Director	Dean Wells CIA CGAP FIIA(Aust)

Jean Jansen

2004 Chapter Chairman

South Australia

A successful program of PD and other activities was undertaken in 2004, including :-

- Bob MacDonald speaking at a luncheon session
- Jen-Pierre du Plessis presenting on fraud and surveillance activity
- Schalk Breeschoten – Tools and Techniques course
- Kym Tolley presenting at the Chairman's lunch
- ERM session with Rob Martland and Kym Cheater

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- Fraud and Ethics session run with presenters from SAPOL
- Audit Horizons conference
- IT and BRP session with Schalk Breeschoten

Thanks are extended to those people who had prepared and presented PD sessions, and especially to Peter Brass for his significant input and organisation for Audit Horizons.

Thanks are also extended to those organisations who had provided sponsorship throughout the year :-

- KPMG
- Public Trustee
- RAA
- Ian Painter (PKF)

The number of members has remained fairly steady during the year with over 90% of our members receiving regular updates and notification of meetings and matters of interest by e-mail.

One of our aims for 2004 is to increase the number of members at PD functions and to see a few new faces at the sessions.

It is pleasing to report that our relationship with national office continues to be very positive and the staff have been very helpful in co-ordinating our PD and membership sessions.

It would be remiss of me not to thank my fellow Councillors for their efforts during the past year. They all do their bit to make sure that the PD sessions and finances run smoothly during the year.

I thank you as members for your support and hope that you continue to support our chapter next year.

2004 South Australian Office Bearers

Chairman:	Jim Gouskos MIIA(Aust)
Deputy Chairman:	Madeleine Vezis MIIA(Aust)
Treasurer:	Henry Awad MIIA(Aust)
Secretary:	Natalie Ledington MIIA(Aust)
National Director:	Peter Brass CGAP MIIA(Aust)

Jim Gouskos MIIA (Aust) 2004 Chapter Chairman

Western Australia

WA Chapter

The 2004 year has been a successful year for the IIA-Australia with involvement in activities to assist members in their professional development and to provide members with initiatives and developments impacting on internal auditors and organisations and to raise the professional status, profile and marketing of the internal auditing profession.

I would like to acknowledge the support from the Vice Chairs and from all the Councillors for their contribution during the year.

Additionally, the Council appreciates individual member's participation, attendance and support during the year.

This year's biggest achievement for IIA-Australia was the International Conference – some 1600 attendees from 75 countries further raised the profile of the IIA.

Professional Development

The PD Sub-Committee has worked hard all year to provide a range of relevant and interesting topics throughout the year, which were well supported.

Members Meetings

- 20 Feb - IIA Inc Chair – 71 attendees
- 24 Mar - Knowledge Management – 21 attendees
- 25 May - Project management – 28 attendees
- 20 Aug - EY Internal Audit Benchmarking Survey – 45 attendees
- 20 Oct - IFRS – 23 attendees

Courses

- 14-16 June - Tools & Techniques – 13 attendees
- 25-26 Mar- Writing High Impact Audits – 10 attendees
- 30 Sept - Audit Leaders Forum – 11 attendees
- 25 Nov - WA Conference - 80 attendees

Membership

For the first time Australian membership reached about 2010. WA has approximately 170 financial members in 2004. There were 10 new members, who we all welcome, which is consistent with last year when we had 11 new members. Membership will be a key focus for next year for WA.

A special mention to the following members for achieving the following milestones with the IIA:

25 Years - 3

- Mr David Berinson MIIA(Aust)
- Mr Neil Permain CIA MIIA(Aust)
- Mr Rodney Broughton FIIA(Aust)

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15 Years – 8

Miss Karen Bateman MIIA(Aust)
Mr Colin Berry MIIA(Aust)
Mr Claudio Bonomi MIIA(Aust)
Mr Colin Butler MIIA(Aust)
Mr Stephen Linden MIIA(Aust)
Mr Christopher Rodgers CIA MIIA(Aust)
Mr Paul Sheppard MIIA(Aust)
Mr Gavin Treasure MIIA(Aust)

10 Years – 7

Mr John Copp MIIA(Aust)
Mr Stephen Jancey CIA MIIA(Aust)
Mr Byron Jelly MIIA(Aust)
Mr Marc Kessels MIIA(Aust)
Mr Greg Leguier MIIA(Aust)
Ms Pamela Parker MIIA(Aust)
Ms Fui-Shan Yap CIA MIIA(Aust)

5 Years – 11

Mr Brian Bartsh MIIA(Aust)
Mrs Lisa Bayakly MIIA(Aust)
Mr Craig Choveaux CIA MIIA(Aust)
Mr Peter Feldhusen MIIA(Aust)
Ms Colleen Kelly MIIA(Aust)
Mrs Pauline Kong MIIA(Aust)
Mr Terrence Larkan CIA MIIA(Aust)
Mr Phillip Morony MIIA(Aust)
Mrs Surhayati Pandey-Lee MIIA(Aust)
Mr Chris Papaioannou CIA MIIA(Aust)
Mr Brandon Walker MIIA(Aust)

This is indicative of the strength, maturity and profile of the profession.

Ronnelle Lennon was admitted as fellow.

CIA Program

This has been ably coordinated by Robert Fernihough and our thanks to him.

Congratulations to the following on successful passes:

- CGAP – Mark Toogood; Robert Fernihough.
- CIA – Maria Stewart.

Annual Conference

Held in November 2004, with 80 attendees. All sessions were of a very high quality. Primary figures indicate a surplus of \$10,000 (higher than last year).

Financial Results

As at October 2004 WA Chapter had a surplus of approximately \$10,000. Financially strong due to annual conference.

Council Assistance

It is important to recognise the significant effort that the Council has contributed this year to assist the IIA-Australia in meeting members' needs.

Thanks to:

- Secretary: Andrew Georgiades.
- National Director: Mark Toogood.
- Vice Presidents: Chris Papaioannou and Steve Linden.
- Marketing / membership committee (including this year's conference) Steve Linden, Sam Iacobellis and Andrew Baldwin.
- Professional Development Committee: Chris Papaioannou, Diana Khoh, Nadia Duca and Sasha Burridge
- CIA Assistance: Robert Fernihough.
- Special thanks to our retiring Chapter Council member Sam Iacobellis.

2004 West Australian Office Bearers

Chairman:	Karen Bateman MIIA(Aust)
Vice Chairman:	Christopher Papaioannou CIA MIIA(Aust)
Vice Chairman:	Stephen Linden MIIA(Aust)
Secretary:	Andrew Georgiades CIA MIIA(Aust)
National Director:	Mark Toogood CIA CGAP FIIA(Aust)

Karen Bateman MIIA(Aust)

2004 Chapter Chairman

Canberra

2004 was an excellent year for the IIA-Australia nationally and for the IIA-Australia Canberra Chapter.

HIGHLIGHTS

Financial Management

- Canberra significantly exceeded its budget.

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Membership

- Canberra membership was up 25 to 145 in 2003 (21% increase).
- Canberra membership continues to increase from 145 to 167 in 2004 (15% increase).
- National membership is approaching 2,100.

Members Meetings

- This year it was decided to hold fewer Members Meetings, make the subjects as topical as possible, try to partner with other relevant professional bodies to raise the profile of the IIA-Australia, and to have a greater "critical mass" of people at meetings.

February

Meeting the Public Sector Reporting Challenge (with PSANG) - 34 attendees.

April

Case Studies in Performance Auditing - 49 attendees.

August

Web Services – The Next Big Thing in Internal Audit (with ISACA) - 29 attendees.

September

Integrating Risk Management & Business Excellence -28 attendees.

Professional Development

February

Performance Auditing – 24 attendees.

March

Tools & Techniques for the Beginning Auditor – 10 attendees.

May

CAATS & ACL – 11 attendees.

July

Writing High Impact Audit reports – 15 attendees.

October

Tools & Techniques – 14 attendees.

One-Day Seminar with AICD

In August, a joint effort between the Canberra Chapter and the Australian Institute of Company Directors in Canberra resulted in a very successful one-day Seminar on Public Sector Governance and Audit Committees, with 65 people attending.

Upcoming Events 2005

Apart from the usual array of Professional Development and Members Meetings, the Canberra Council is considering:

- A one-day Seminar in June with a view to this becoming an annual event.
- A half-day Forum on Recruitment & Retention of Auditors in February.
- Once again presenting a joint one-day Seminar with the AICD.
- Further partnering with other relevant professional bodies in framing the program of Members Meetings.
- A Control Self Assessment (CSA) course.
- Structured study assistance for the CIA program.

Advocacy

The CEO and the Canberra Chapter Chair met with the new ACT Auditor-General on the 30 November.

2004 Canberra Office Bearers

Chairman:	Andrew Cox MIIA(Aust)
Vice Chairman:	Fiona Knight MIIA(Aust)
Vice Chairman:	Richard Rundle MIIA(Aust)
Treasurer:	Franciscus Geysen MIIA(Aust)
Secretary:	Hilary Cuerden-Clifford FIIA(Aust)
National Director:	Vince Burns CIA CGAP FIIA(Aust)

Andrew Cox MIIA(Aust) 2004 Chapter Chairman

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Tasmania

It is with pleasure I submit the Chapter Chairs Report for the Tasmanian Chapter Council for 2004.

Firstly I would like to thank the Chapter Council members for their hard work and support in providing the professional development opportunities for our members. The Chapter Council this year has been undermanned and without their efforts and support from their employers we would not have been able to provide the seminars this year. I would also like to thank the National Office staff for their assistance with the running of seminars.

The lunch time seminars continue to be well-supported and we have covered a wide range of topics, some specifically audit related and others of a more general interest. This year we ran a one and half day COSO course which was very successful, in numbers attended and financially.

The Chapter has been able to maintain our membership numbers around 40 and I welcome our new members. Unfortunately Malcolm McWilliams decided not to continue his membership this year and I would like to recognise his contribution to the Chapter over a number of years.

Today we are also acknowledging members who have supported the Institute over many years, Paul Green and Mathew Wallace have been granted the status of Fellow and I congratulate them. In addition we are presenting pins in recognition of 10 and 15 years of service and over the next twelve months some of our members will achieve 25 years membership.

A highlight for the year nationally was the International Conference in Sydney. I am sure those who were able to attend the conference found it rewarding from a professional educational aspect and the opportunity to network with fellow internal auditors from around the world.

The Chapter Council members have participated on National Committees and it is important that our representation at a national level is maintained. I would also like to thank Peter Wise, our National Director, for his contribution both as part of the Chapter Council and to the National Board.

This year the National Office held a meeting of Chapter Chairs which provided a forum for the Chairs to discuss with National Office staff various issues which impact on the running of Chapter Councils. In addition Peter Wise and I attended a strategy day in October where the priorities for the Institute were agreed and action plans developed.

2004 Tasmania Office Bearers

Chairman:	Peter Austen CIA MIIA(Aust)
Vice Chairman:	Malcolm McWilliams MIIA(Aust)
Treasurer:	Mathew Moore MIIA(Aust)
Secretary:	Janine McGuinness MIIA(Aust)
National Director:	Peter Wise CGAP MIIA(Aust)

Peter Austen CIA MIIA(Aust) 2004 Chapter Chairman

Northern Territory

Northern Territory members are provided services through the National Office, Queensland and South Australia Chapters.

BOARD MEMBER INFORMATION

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NAME	POSITION	MEETINGS ELIGIBLE TO ATTEND 2004	MEETINGS ATTENDED 2004	APPOINTMENTS	RESIGNATIONS
Robert Forbes	Queensland President	5	5	1 January 2001 20 May 2003	
Vincent Burns	Canberra Vice-President	5	4	22 May 2002 20 May 2003	
Paul Apps	New South Wales	5	5	20 May 2003	
Todd Davies	Director-at-large	2	2	29 October 2004	
Peter Brass	South Australia	4	4	1 March 1998	2 December 2004
Jim Gouskos	South Australia	1	1	16 December 2004	
Peter Wise	Tasmania	5	4	20 May 2003	28 January 2005
Peter Austen	Tasmania	-	-	6 March 2005	
Wesley Dean Wells	Victoria	5	5	22 June 2001	5 March 2005
Jean Jansen	Victoria	-	-	6 March 2005	
Andrew Dix	Director-at-large	2	2	29 October 2004	
Mark Toogood	Western Australia	5	5	22 May 2002	
William Middleton	New South Wales Vice President President Immediate Past President Director-at-large	5	4	17 April 1999 18 May 1999 15 May 2001 20 May 2003 18 May 2004	20 May 2003
Michael Parkinson	Canberra Vice President President Immediate Past President Director-at-large	5	4	20 May 1996 1 March 1998 18 May 1999 15 May 2001 18 May 2004	15 May 2001
Christopher McRostie	National Secretary & Chief Executive Officer	5	5(a)	14 June 1998	

(a) The Chief Executive Officer and immediate past President attend board meetings by invitation as did the IIA Inc International Conference Chairman 2004 (Michael Parkinson).

Robert Forbes CIA CA FCA MIIA(Aust). Gained the CIA qualification in 1996 and is National Director for Queensland, appointed National Vice President 15/5/01. As a partner in the accounting firm of Bentleys MRI Brisbane, he specialises in internal and external audit.

Vincent Burns CIA CGAP Grad Cert Internal Auditing FIIA(Aust). Appointed National Director for Canberra Chapter in 2002 after several appointments in 1980s and 1990s and National Director for the Northern Territory Branch in 1999. Senior Auditor in the Australian Public Service for 20 years specialising in project/efficiency and IT auditing, best practice and contract management.

Paul Apps CPA MACS MIIA(Aust). Appointed New South Wales Director 20 May 2003. Experienced in internal audit management, risk management, IT audit and security. Head of Audit, Reserve Bank of Australia.

BOARD MEMBER INFORMATION

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Todd Davies CIA CA Appointed Director-at-large 29 October 2004. Group Internal Auditor John Fairfax Holdings Ltd.

Peter R Brass CGAP BEc GradDip Mgmt FCPA MIIA(Aust), appointed South Australian Director 1/3/98. Experienced in managing internal audit functions, risk management, financial systems integration and financial information analysis. Principal Advisor, Risk Management & Audit, Primary Industries and Resources, South Australia. Resigned 2 December 2004.

Jim Gouskos CPA MIIA(Aust) appointed South Australian Director 16/12/04, Partner, Moore Stephens PM.

Peter Wise CGAP MIIA(Aust) appointed Tasmanian Director 20.5.03. Experienced in both traditional auditing and proactive consultancy approaches, including facilitation and advisory services on risk management and governance processes. Manager Internal Audit, Department of Health & Human Services Tasmania. Resigned 28 January 2005.

Peter Austen CIA MIIA (Aust) Appointed Tasmanian Director 6 March 2005. Specialist Internal Audit Consultant Hydro Tasmania.

Wesley Dean Wells CIA CGAP MBA CPA MIIA(Aust), appointed Victorian Director 22/06/01. Experienced in all aspects of modern internal auditing, management services and consulting, investigation and enforcement, and education and training. General Manager, Simply Progress Pty Ltd trading as Internal Audit Services Australia. Resigned 5 March 2005.

Jean Jansen MIIA(Aust) Appointed Victorian Director 6 March 2005. Manager, Internal Audit Deakin University.

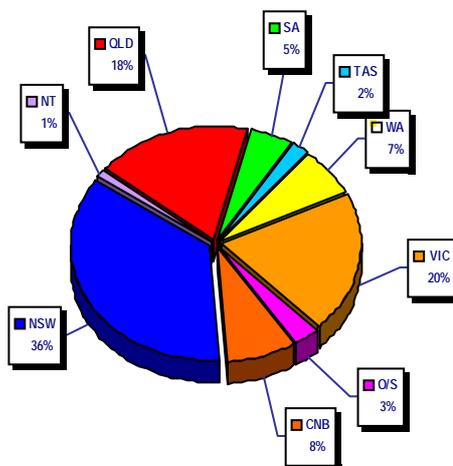
Andrew Dix CA MIIA(Aust) Appointed Director-at-large 29 October 2004. Director, Risk Management & Assurance Telstra Corporation Ltd.

Mark Toogood CIA CGAP CPA FIIA(Aust) appointed as Western Australian Director in 2002. Experienced in managing internal audit functions, operational auditing, risk management, corporate governance, information systems and quality assurance. Principal of Audit Services of Western Australia.

William Middleton BBus GradDip Mgmt FIIA(Aust) FCPA JP, appointed New South Wales Director 15/5/99, appointed National Vice President 18/5/99, appointed President 15/5/01, Immediate Past President 20/05/03, appointed Director-at-large 18/5/04. Experienced in risk management assessments, best practice methodologies and corporate governance issues. Director of Audit, NSW Department of Education and Training.

Michael Parkinson CIA BSc(Hons) MIIA(Aust) CISA, appointed Canberra Director 30/5/96, appointed National President 18/5/99, Immediate Past President 15/5/01, appointed Director-at-large 18/5/04. Experienced in internal audit, project management, system development and development of IT-base audit tools and techniques. Director Information Risk Management, KPMG, Canberra.

MEMBERSHIP AS AT 31.12.04



BOARD MEMBER INFORMATION

The Institute of Internal Auditors-Australia ABN 80 001 797 557

The Board

Under the Constitution of the company there is one Director from each Chapter. Directors are elected by members at the AGM of the company from nominations submitted by Chapters.

Appointments are for a period normally of two years, with entitlement to re-appointment.

Appointments by Chapters are staggered so that not all directors' terms expire at the same time.

There are eleven Non-Executive Directors. The chief executive officer of the company (the Chief Executive Officer) performs the functions of the Company Secretary. The Board elects from its members the people to hold office as President and Vice-President. During 2004, four Directors-at-large were appointed. The Immediate Past President attends Board meetings by invitation under the new constitution.

Directors do not receive remuneration for acting in the capacity of director, nor do they receive retirement benefits. They are entitled to reimbursement of expenses incurred in carrying out their duties, in particular travel and accommodation. Directors travel at best available (economy) fare. Directors may carry out other paid roles for the Institute such as lecturing in the education courses. They are remunerated on the same basis as other lecturers.

Work Undertaken by the Board

Meetings and Committees

The Board has two scheduled face-to-face meetings each year. Other meetings occur by teleconference as required.

The Board has established a number of committees to assist it in undertaking various aspects of its and the Institute's business. Each of these committees is chaired by a Board member and membership is drawn from Board members and appropriately qualified members and supporters of the Institute.

Executive Committee

The Executive Committee comprises the President, Vice President, Chief Executive Officer. It has been authorised by the Board to deal with major issues between Board meetings and to assist in the development of policy matters. The Committee met three times during the year.

Audit Committee

The Audit Committee assists the National Board with its responsibilities for corporate governance by assuring the appropriate mechanisms exist to monitor probity, governance, efficiency and effectiveness of the

Institute's systems, controls and operations. The Committee's specific responsibilities are to:

- Approve audit plans and review the results of internal and external audits;
- Assess management's programs and policies which maintain an effective system of internal control for the Institute's operations, including accounting and financial reporting systems;
- Review financial statements (including notes and disclosures) and recommend Directors' approval;
- Review and recommend the appointment of internal and external auditors; and
- Review the financial performance of the Institute on a regular basis.

In July 1996 the National Board determined that the Committee should comprise the National Vice-President as Chairman, the Immediate Past National President and the Institute's international representative. In 1998 an independent external member was added. The members of the committee during 2004 have been:

- Vincent Burns, (current National Vice President)
- Richard Norris, (former director)
- Bill Middleton (immediate Past National President)
- Dean Wells from November 2004, (former director)
- Jenny Parker (external member)

In addition to the permanent members, it is usual for meetings to be attended by the Chief Executive Officer, IIA-Australia accountant, the external auditor and the internal auditor.

At the May 2005 AGM, Mr Middleton and Mr Norris will retire after long service on the Audit Committee. Mr. Andrew Dix and Mr. Jim Gouskos, both current Board Members, will join the committee.

Meetings

The Committee met by teleconference on two occasions during the year.

Both internal audit activity and meetings of the Audit Committee was restricted by the IIA-Australia office staffs' involvement with the 2004 IIA International Conference in Sydney.

The attendance of members of the Committee is shown in the accompanying table.

AUDIT COMMITTEE/CORPORATE GOVERNANCE STATEMENT

The Institute of Internal Auditors-Australia ABN 80 001 797 557

MEMBER	MEETINGS ELIGIBLE TO ATTENDED 2004	MEETINGS ATTENDED 2004
Vincent Burns	2	2
Richard Norris	2	1
Bill Middleton	2	1
Jenny Parker	2	1
Dean Wells	1	1

During the 2004 calendar year the Committee undertook the following activities:

- Develop a new Internal Audit Work Program 2005 – 2008;
- Increase Internal Audit activity by 50%;
- Provide review and approval of the 2003 financial statements;
- Reviewed the reports produced by the internal auditor of the IIA-Australia, Michael Harris of the Canberra chapter;
- Maintained contact with the external auditor on accounting and audit issues;
- Reviewed and provided input into the 2004 financial budget process;
- Review of the Terms of Reference of the Audit Committee;
- Review of the structure and membership of the Audit Committee; and
- Liaised with IIA-Australia staff and the National Board on governance issues.

Vincent Burns CIA CGAP FIIA(Aust)
Chairman Audit Committee

Policy Committees

The following policy committees have been established, with their aims as indicated.

Professional Issues

Provide guidance to members and the business community on internal audit issues as they are identified.

Profile

Promote the value of internal control and internal audit and develop membership and marketing initiatives to increase the profile of the Institute.

Standards

Prepare the Institute's response to IIA Inc's draft changes to professional standards and to the AARF'S auditing standards.

Education

Prepare the Institute's education policy and provide guidance and direction in the development and introduction of new educational courses and review existing programs.

Certification

Provide guidance on the development and acceptance of the IIA's certifications.

Communication with Members

The Institute issued regular email alerts to members. Some Chapters also issue newsletters, in hardcopy and via the website. The *Internal Auditor* was distributed to all members regularly.

Ethical Standards

The Institute has a comprehensive code of ethics to which directors, as members of the Institute, subscribe. The Board has also formally adopted the Statement of Ethics of the Australian Institute of Company Directors for Board operations.

As noted above, all Board members formally declare potential conflicts of interest or the absence of such conflicts at least annually.

DIRECTORS' REPORT

The Institute of Internal Auditors-Australia ABN 80 001 797 557

The names of the Directors in office at the date of this report are:

Robert Forbes CIA FCA MIIA(Aust)
Vincent Burns CIA CGAP FIIA(Aust)
Paul Apps CPA MACS MIIA(Aust)
Peter Austen CIA MIIA(Aust)
Todd Davies CIA CA MIIA(Aust)
Andrew Dix CA MIIA(Aust)
Jim Gouskos CPA MIIA(Aust)
Jean Jansen MIIA(Aust)
Bill Middleton CPA FIIA(Aust)
Michael Parkinson CIA MIIA(Aust)
Mark Toogood CIA CGAP FIIA(Aust)

The strategic focus of the Institute is to enhance and support the professional careers of its members.

The surplus for the year was \$390,604 (2003 surplus \$92,875). In 2004 the IIA International Conference held in Sydney, Australia, contributed to this excellent result.

The company is prohibited from paying a dividend and none was paid.

Except for fees paid to Mr V Burns, Mr W Middleton and Mr M Parkinson for presenting courses, details of which are at Note 8, no Director has received or becomes entitled to receive during or since the end of the financial year a benefit because of a contract made by the company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest.

During the financial year, the company has maintained insurance coverage for "Directors' and Officers' Liability".

Signed in accordance with a resolution of the Board of Directors.

Robert Forbes CIA FCA MIIA(Aust)
18 April 2005

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

	2004 \$	2003 \$
Revenues from ordinary activities	3,912,238	1,528,824
Expenses from ordinary activities	3,521,634	1,435,949
Including Depreciation	8,424	11,275
Auditor's Remuneration	3,750	4,160
Surplus from ordinary activities	390,604	92,875
Equity: Balance at start of year	260,211	167,336
Surplus for the year	390,604	92,875
Balance at reporting date	650,815	260,211

The accompanying notes form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

		2004	2003
	Note	\$	\$
CURRENT ASSETS			
Cash assets	3	731,991	499,731
Receivables	4	606,537	206,229
Inventories		4,988	6,442
Prepayments and other		69,148	186,393
TOTAL CURRENT ASSETS		<u>1,412,664</u>	<u>898,795</u>
NON CURRENT ASSETS			
Plant and equipment	5	14,495	15,569
TOTAL NON CURRENT ASSETS		<u>14,495</u>	<u>15,569</u>
TOTAL ASSETS		<u>1,427,159</u>	<u>914,364</u>
CURRENT LIABILITIES			
Payables		412,363	116,729
Employee leave provision		51,490	36,249
Deferred income		295,713	486,521
Research Foundation contributions		16,778	14,654
TOTAL CURRENT LIABILITIES		<u>776,344</u>	<u>654,153</u>
TOTAL LIABILITIES		<u>776,344</u>	<u>654,153</u>
NET ASSETS		<u>650,815</u>	<u>260,211</u>
MEMBERS FUNDS (EQUITY)		<u>650,815</u>	<u>260,211</u>

Leasing Commitments	6
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Financial Instruments	9
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The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2004
The Institute of Internal Auditors-Australia ABN 80 001 797 557

	Note	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES		Inflows (Outflows)	Inflows (Outflows)
Receipts from membership subscriptions and fees		495,734	469,023
Receipts from conferences, seminars and CIA		2,826,288	1,216,681
Payments for the above		(2,234,311)	(916,590)
Payments for Administration		(846,285)	(592,034)
Interest received		52,800	22,647
Other receipts		89,771	78,144
GST		(17,971)	17,498
NZ Settlement		(6,873)	(6,282)
Deposits		(121,667)	(6,921)
Net cash provided by (used in) operating activities	7	<u>237,486</u>	<u>282,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(7,350)	(4,102)
Research Foundation Contributions		2,124	(1,501)
Net cash used in investing activities		<u>(5,226)</u>	<u>(5,603)</u>
NET INCREASE (DECREASE) IN CASH HELD		232,260	276,563
Cash at the beginning of the financial year		<u>499,731</u>	<u>223,168</u>
CASH AT THE END OF THE FINANCIAL YEAR	3	<u><u>731,991</u></u>	<u><u>499,731</u></u>

The accompany notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

General

a) The financial statements constitute a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and other mandatory professional reporting requirements and the Corporations Act 2001.

b) The financial statements have been prepared on the basis of historical costs and do not take account of changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

c) The accounting policies have been consistently applied with all expenses and income accounted for on an accruals basis in the period(s) to which they relate.

Inventories

d) Inventories, which represent publications, are stated at the lower of cost and net realisable value. Costs are assigned on a specific identification basis.

Plant and equipment

e) Plant and equipment are brought to account at cost. The carrying amounts of plant and equipment are reviewed annually by Directors to ensure they are not in excess of the recoverable amount of these assets. Furniture and fittings are depreciated over 5 years and computer and electrical equipment over 3 years. Assets with an acquisition cost of less than \$500 are expensed in the year of acquisition.

f) Leasehold improvements are depreciated over the lesser of the unexpired term of the lease or the estimated useful life of the improvements.

g) Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Commitments for future years are disclosed by way of note. The Institute has no finance leases.

Employee entitlements

h) Employee entitlements have been provided for at balance date in accordance with Accounting Standard AASB1028 "Accounting for Employee Entitlements".

Deferred income

i) Subscriptions and professional development fees relating to the 2005 year but received prior to 31 December 2004 are carried forward in the Statement of Financial Position as deferred income.

j) SOPAC 2005. Revenue received prior to 31 December 2004 relating to SOPAC is carried forward in the Statement of Financial Position as deferred income. Expenses incurred prior to 31 December 2004 for SOPAC have been carried forward as prepaid expenditure.

k) Research Foundation Contributions. \$10 from each new member application fee is allocated to the Research Foundation. Receipts for the Research Foundation are shown as a current liability in the Statement of Financial Position. The funds are used to support research into areas of professional interest to members and may be expended over a number of years.

Income tax liability

l) The Institute is exempt from the payment of income tax under Section 50-5 of the Income Tax Assessment Act 1997.

Revenue

m) Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

Adoption of Australian Equivalents to International Financial Reporting Standards

n) Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The IIA-Australia's management is assessing the significance of these changes and preparing for their implementation. We are of the opinion that there will be no differences in the accounting policies arising from the adoption of IFRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NOTE 2 LEGAL AND ECONOMIC ENTITY

a) The Institute of Internal Auditors-Australia (The Institute) is a company limited by guarantee; accordingly it has no share capital. It is licensed under the Corporations Act 2001 to omit the word 'Limited' from its name. It is an individual economic entity, without subsidiaries.

b) The Institute has an agreement with the Institute of Internal Auditors Inc. (IIA Inc), incorporated in the USA, for the provision of stipulated goods and services in return for the payment of affiliation fees. Members of this Institute are also members of IIA Inc.

c) The Institute's registered office (which is its only place of business) is at Level 10, 222 Pitt Street, Sydney, NSW. Its operations and principal activities are set out elsewhere in this Annual Report. The average number of employees during the year was 7.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NOTE 3 CASH ASSETS

	2004 \$	2003 \$
Institute Cash at bank and on hand	721,960	487,676
Research Foundation bank account (a)	10,031	12,055
	<u>731,991</u>	<u>499,731</u>

(a) This bank account holds contributions received from members (shown in the Statement of Financial Position as a current liability) until a suitable research project is decided upon.

NOTE 4 RECEIVABLES

	2004 \$	2003 \$
Term Deposits	304,169	182,502
Trade Debtors	69,198	23,283
Less Provision for Doubtful Debts	0	0
Other Debtors	233,170	444
	<u>606,537</u>	<u>206,229</u>

Receivables include term deposits maturing monthly and in October 2005, amounting to \$304,169 (2003 \$182,502). Those term deposits include an amount of \$26,779 (2003 \$26,779) held by the bank as security for the bank's rental guarantee, as required by the lessor. Other Debtors represents an amount owed by the Institute of Internal Auditors INC in the USA for the International Conference.

NOTE 5 PLANT & EQUIPMENT

	2004 \$	2003 \$
Plant and equipment at cost	58,982	56,473
Less: accumulated depreciation	<u>52,744</u>	<u>47,438</u>
	6,238	9,035
Furniture and fittings at cost	31,210	26,369
Less: accumulated depreciation	<u>23,350</u>	<u>20,772</u>
	7,860	5,597
Library at cost	9,345	9,345
Less: accumulated depreciation	<u>9,345</u>	<u>9,345</u>
	-	-
Leasehold improvements at cost	9,039	9,039
Less: accumulated amortisation	<u>9,039</u>	<u>9,039</u>
	-	-
Software at cost	23,175	23,175
Less: accumulated amortisation	<u>22,778</u>	<u>22,238</u>
	397	937
Total plant and equipment at written down value	<u>14,495</u>	<u>15,569</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NOTE 6 LEASING COMMITMENTS

Leasing commitments relate in total to lease of premises and office and computer equipment.

	2004 \$	2003 \$
Not longer than 1 year	100,255	102,395
Longer than 1 year but not longer than 5 years	48,338	122,266
Longer than 5 years	-	-
	<u>148,593</u>	<u>224,661</u>

NOTE 7 CASH FLOWS RECONCILIATION

A. Reconciliation of cash flow from operations with operating surplus (deficit):

	2004 \$	2003 \$
Operating surplus (deficit)	390,604	92,875
Non cash flows in operating surplus (deficit):		
Depreciation	8,424	11,275
Provision for employee entitlements	15,241	10,966
Changes in assets and liabilities:		
Receivables	(400,308)	(13,755)
Inventories	1,454	2,635
Prepayments	117,245	(92,813)
Accrued Income	-	2
Payables	295,634	(2,306)
Deferred income	<u>(190,808)</u>	<u>273,287</u>
Cash flow from operations	<u>237,486</u>	<u>282,166</u>

B Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank and on hand. Cash at the end of the financial year as shown in the Statement of Cash Flows equals the item "Cash Assets" in the Statement of Financial Position".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NOTE 8 RELATED PARTY TRANSACTIONS

Directors:

The names of Directors who have held office during the financial year are outlined in the table of "Board Member Information" elsewhere in this Annual Report.

Directors' Remuneration:

Income paid or payable to all the following Directors of the company by the company and any related parties:

	2004 \$	2003 \$
Mr W Middleton	2,200	-
Mr M Parkinson	1,100	-
Mr V Burns	<u>1,030</u>	<u>438</u>

The income paid includes fees for presenting Institute courses, based on the same terms as other presenters.

The Number of Directors whose income from the company or any related parties was within the following bands are:

	No.	No.
\$0	8	6
\$1-\$9,999	3	1

Retirement and Superannuation payments (Prescribed benefits given during the year by the company or a related party to a Director or prescribed superannuation fund in connection with the retirement from a prescribed office):

-	-
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

NOTE 9 FINANCIAL INSTRUMENTS

The financial instruments used in the Institute's business, and the associated risks, are as follows:

- (a) cash at bank: subject to interest rate and cash flow risk as the prevailing bank interest rate varies. (Note 3)
- (b) cash on term deposit: not subject to interest rate cash flow risk as a fixed interest rate is operative. As at 31 December 2004, the cash on term deposit was \$304,169 (2003 \$182,502) at a weighted average interest rate of 5.08%. (Note 4)
- (c) accounts receivable:
- (i) in A\$: no currency risk. Subject to credit risk, the extent of which would be disclosed by a provision for doubtful debts. Provision Nil at 31 December 2004, (31 December 2003 provision \$Nil).
- (ii) in US\$: subject to currency price risk as the amount receivable varies with changes in the exchange rate. As at December 2004, there were a receivable of US\$163,197 (31 December 2003 Nil).
- (d) accounts payable -
- (i) in A\$: no currency price risk.
- (ii) in Other Currencies\$:

subject to currency price risk, as the amount payable varies with changes in the exchange rate. As at 31 December 2004, there was a liability of US \$152,537 (31 December 2003 USD3,455).

During 2004 CAD 1,571 was remitted at exchange rate 0.9819 on 22/03/04.
CHF 1,918 was remitted at exchange rate 0.8788 on 19/07/04.
EUR 3,224 was remitted at exchange rate 0.5707 on 17/08/04.
GBP 5,357 was remitted at an average exchange rate 0.3879.
HKD 7,230 was remitted at exchange rate 5.2796 on 14/05/04.
THB 85,600 was remitted at exchange rate 27.25 on 04/05/04
ZAR 8,000 was remitted at exchange rate 4.6246 on 17/08/04.
USD 86,912 was remitted at an average exchange rate 0.7540.

NOTE 10 SEGMENT REPORTING

The company operates as a professional association within Australia.

DIRECTORS' DECLARATION

The Institute of Internal Auditors-Australia ABN 80 001 797 557

The directors of the company declare that:

1. the financial statements and notes, as set out on the above pages:
 - (a) comply with Accounting Standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2004 and financial performance for the year ended on that date of the company:
2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Board of Directors.

Robert Forbes CIA CA MIIA(Aust)
Director, President
18 April 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS-AUSTRALIA

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

SCOPE

We have audited the financial report of The Institute of Internal Auditors - Australia for the financial year ended 31 December, 2004. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of The Institute of Internal Auditors - Australia is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 31 December, 2004 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Act Regulations; and
- b. other mandatory professional reporting requirements.

WATKINS COFFEY MARTIN

Chartered Accountants
S R Coffey
Partner, Sydney

DETAILED STATEMENT OF INCOME & EXPENDITURE

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

	2004 \$	2003 \$
OPERATING INCOME & EXPENDITURE		
Membership		
Subscription renewals	393,975	356,648
New members subscriptions and fees	83,591	72,411
Affiliation fees to IIA Inc	(25,187)	(27,985)
Database and other costs	(4,942)	(4,720)
	<u>447,437</u>	<u>396,354</u>
Members' Services		
US 'Internal Auditor' (Net)	(71,253)	(85,668)
Branch meetings and Newsletters (Net)	(279)	(9,154)
Annual Report and AGMs	(13,261)	(5,337)
Members' Handbooks and Standards	(9,211)	(5,721)
Other Members' Services	6,644	(17,636)
	<u>(87,360)</u>	<u>(123,516)</u>
Continuing Professional Education		
SOPAC (Sydney in 2002)	359,890	171,584
National and Branches' CPE (Net) (see attached table)	272,330	191,592
Certified Internal Auditor (Net)	45,023	27,338
	<u>677,243</u>	<u>390,514</u>
Other Activities		
Sponsorship (Net)	5,727	0
PR and Marketing (Net)	(16,259)	(3,610)
Peer Reviews and Publications sales	11,203	9,736
International & Regional	(17,622)	(3,477)
	<u>(16,951)</u>	<u>2,649</u>
	<u>1,020,369</u>	<u>666,001</u>
NET OPERATING INCOME		
NET ADMINISTRATIVE EXPENSES & NON-OPERATING INCOME		
Boards and Communications	(143,357)	(113,784)
Salaries and Personnel Costs	(463,433)	(409,388)
Rent	(84,829)	(73,357)
Depreciation	(8,424)	(11,275)
Other Occupancy Expenses	(5,839)	(6,357)
Room Hire Income (Net)	428	14,875
Auditors' Remuneration	(3,750)	(4,160)
Banking, Legal and Accounting Costs	(19,976)	(20,142)
Insurance Premiums	(12,801)	(12,837)
Interest Earned	52,908	10,188
NSW and NZ Administration Charge	59,366	56,163
Sundry Income and Expense (Net)	(58)	(3,052)
	<u>(629,765)</u>	<u>(573,126)</u>
TOTAL ADMINISTRATIVE EXPENSES AND NON-OPERATING INCOME	<u>(629,765)</u>	<u>(573,126)</u>
	<u>390,604</u>	<u>92,875</u>
SURPLUS	<u>390,604</u>	<u>92,875</u>

CHAPTER CPE RESULTS, NET OTHER EXPENSES AND CHAPTER SURPLUS

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

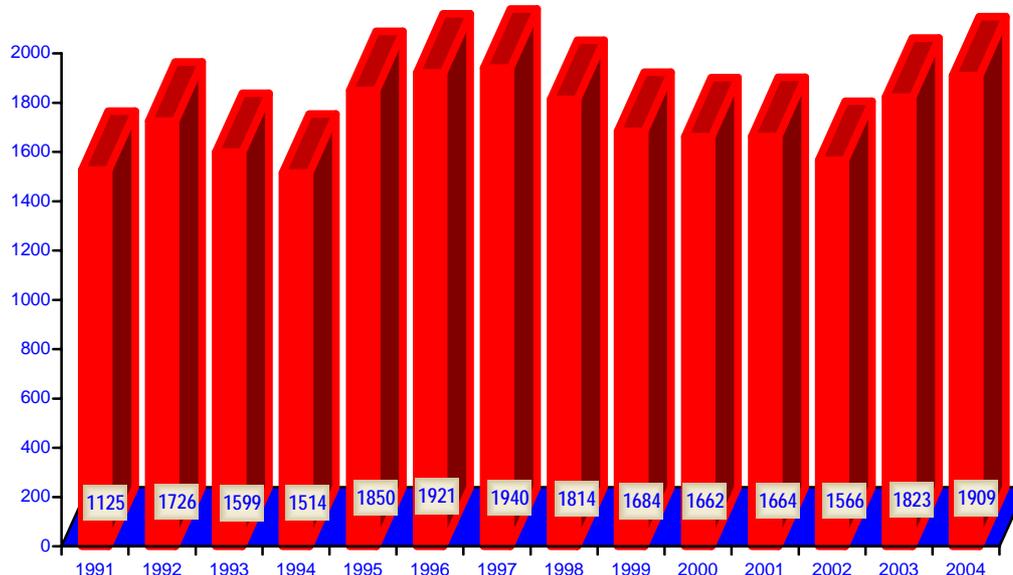
ACTIVITY	QLD \$	NSW \$	CNB \$	VIC \$	TAS &	SA \$	WA \$
CPE Income	107,421	177,687	62,671	96,112	9,305	18,299	40,888
CPE Expenditure	(60,957)	(113,058)	(27,507)	(49,293)	(7,144)	(8,477)	(24,750)
CPE Net	46,464	64,629	35,164	46,819	2,161	9,822	16,138
Others Net	2,741	(12,103)	(3,933)	(2,225)	(999)	(2,211)	(2,550)
Surplus	49,205	52,526	31,231	44,594	1,162	7,611	13,588

Note: The National Office also runs national seminars in various Chapters and generates revenue, which is in addition to the above.

INSTITUTE MEMBERSHIP

The Institute of Internal Auditors-Australia ABN 80 001 797 557

Membership Statistics as at 31 May Each Year



As at 31 December 2004 the Institute had 2119 members

SIX YEAR COMPARATIVE PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

The Institute of Internal Auditors-Australia ABN 80 001 797 557

	2004	2003	2002	2001	2000	1999
	\$	\$	\$	\$	\$	\$
Operating Income and Expenditure						
Membership Subscriptions	447,437	396,354	368,580	346,348	340,806	362,614
Members' Services	(87,360)	(123,516)	(114,133)	(110,214)	(108,977)	(124,382)
Continuing Professional Education	632,220	363,176	265,519	276,065	262,802	154,372
Certified Internal Auditor	45,023	27,338	62,604	10,243	18,145	14,798
Sponsorship	5,727	0	1,803	(247)	25,765	48,976
Other Programmes	(22,683)	2,649	1,795	3331	(14,176)	(4,061)
	<u>1,020,364</u>	<u>666,001</u>	<u>586,168</u>	<u>525,526</u>	<u>524,365</u>	<u>452,317</u>
Administrative Expenses & Non-operating Income						
Boards and Communications	(143,362)	(113,784)	(83,815)	(66,999)	(74,365)	(80,564)
Personnel Expenses	(463,452)	(409,388)	(386,413)	(383,079)	(356,039)	(289,572)
Occupancy Expenses	(97,501)	(90,197)	(92,854)	(103,196)	(122,503)	(117,815)
Corporate & Finance expenses	22,795	19,024	12,814	17,076	4,828	(27,908)
Non-operating Income	51,760	21,219	26,594	31,527	27,207	27,481
	<u>(629,760)</u>	<u>(573,126)</u>	<u>(523,674)</u>	<u>(504,671)</u>	<u>(520,872)</u>	<u>(488,378)</u>
Surplus (Deficit)	<u>390,604</u>	<u>92,875</u>	<u>62,494</u>	<u>20,855</u>	<u>3,493</u>	<u>(36,061)</u>

CODE OF ETHICS

The Institute of Internal Auditors-Australia ABN 80 001 797 557

Introduction

The purpose of The Institute's *Code of Ethics* is to promote an ethical culture in the profession of internal auditing. *Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Institute's *Code of Ethics* extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The *Code of Ethics* together with The Institute's *Professional Practices Framework* and other relevant Institute pronouncements provide guidance to internal auditors serving others. "Internal auditors" refers to Institute members, recipients of or candidates for IIA professional certifications, and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This *Code of Ethics* applies to both individuals and entities that provide internal auditing services. For Institute members and recipients of or candidates for IIA professional certifications, breaches of the *Code of Ethics* will be evaluated and administered according to The Institute's Bylaws and Administrative Guidelines. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

Principles

Internal auditors are expected to apply and uphold the following principles:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

CODE OF ETHICS

The Institute of Internal Auditors-Australia ABN 80 001 797 557

Rules of Conduct

1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

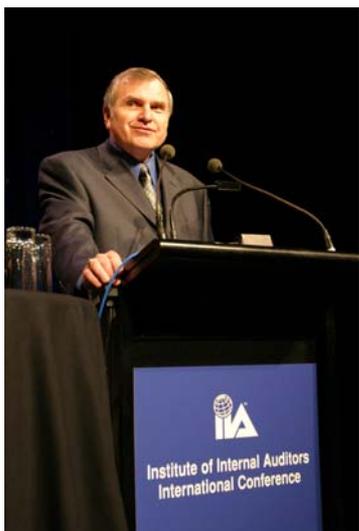
- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2 Shall perform internal auditing services in accordance with the *Standards for the Professional Practice of Internal Auditing*.
- 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

SCENES FROM THE IIA INTERNATIONAL CONFERENCE 2004



Dave Richards
CEO IIA Inc



Bob McDonald – Chairman 2003/4 IIA Inc
Michael Parkinson – 2004 Conference Committee Chair

