

Annual Report 2005

SOPAC 2005



Betty McPhilimy CIA
International Chairman of the Board IIA Inc
Opening Keynote address



Wee Hock Kee, Dr John Stocker AO, Bob McDonald OAM CIA CGAP FIIA(Aust),
Gerry Cox MIIA, Hester Hickey
Hypothetical – Panel Discussion, final keynote

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.³

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.

Table of Contents

President's Report	3
Chief Executive Officer's Report	6
Working Groups	8
Chapter Reports	8
Board Member Information	16
Audit Committee Report and Corporate Governance Statement	19
Directors' Report	20
Income Statement	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24
Directors' Declaration	30
Independent Audit Report to the Members	30
Detailed Statement of Income & Expenditure	31
Chapter CPE Results, Net other Expenses	32
Institute Membership	32
Five Year Comparative Profit & Loss Accounts	33
Code of Ethics	34

National Office

Level 7, 133 Castlereagh Street, Sydney NSW 2000

GPO Box A2311 Sydney NSW 1235

Telephone: 61 2 9267 9155

Facsimile: 61 2 9264 9240

Email: enquiry@iia.org.au

Website: www.iia.org.au

Toll free Phone (outside Sydney metro area):

1800 236 366

Toll free Fax (outside Sydney metro area):

1800 644 380

PRESIDENT'S REPORT

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



**Mr Vincent Burns CIA CGAP FIIA(Aust)
President**

The year 2005 was a year of change and growth for IIA-Australia. We have focussed on the future, improving member services and improving governance. The Board decided in 2004 that there was need for a cultural change in IIA-Australia to assist us to better **reflect** the profession in Australia, better **represent** the profession and become a **catalyst for change** to internal auditing in Australia. In August 2005, the Board decided that it needed to increase the tempo of this cultural change.

Focussed On The Future

We have restructured the National Board to better reflect the membership and potential membership of IIA-Australia. Australia has a large number of internal auditors in the private sector who were neither represented on the Board, nor well represented amongst our membership. We have used Board positions (Directors-at-Large) to tap into this resource. We have had Todd Davies CIA (Fairfax), Andrew Dix (Telstra) join the Board in 2004; Gary Anderson CIA (Protiviti), David Lawler CIA (audit committees) and Jocelyn Newton (Qld Government) joined the Board in 2005; Kathryn McLay CIA (Woolworths) replaced Todd Davies in 2005.

Part of the Board restructure was to implement a second Vice-President position, and institute a formal Executive Committee to oversee implementation of Board policy. Two committees were formed to oversee nominations and staff remuneration giving the Board four committees to advise it. The Executive Committee was Vince Burns CIA CGAP (President) who chaired the committee and was Chair of the Nominations' Committee, Gary Anderson CIA (Vice-President) who chaired the Remuneration Committee and David Lawler CIA (Vice-President) who chaired the Audit Committee.

The Board committed to a formal review of the National Office structure with a view to better achieve IIA-Australia's goals in relation to improved member services and increased advocacy for the Internal Audit

profession. The Board took the Strategic Plan and reworked the Strategies/KPIs/Targets/Measurements. This showed that the National Office needed to be more accountable for the Institute's performance, and consequently needed to directly manage some of the functions formerly done by our numerous volunteers. This adjustment to responsibilities should foster growth in the education program provided to members, increase membership and increase the proportion of certified members.

Improving Governance

A number of initiatives have been undertaken to improve the governance of IIA-Australia. These include

- making National Office staff accountable for the work they manage, including delivery of the new National Education Program.
- establishing a Nominations Committee to seek suitably qualified members for work on the Board and Councils. The Nominations Committee has been tasked with reviewing all candidates to office in IIA-Australia against the approved selection criteria, and approving any member who wishes to represent Australia on IIA-Inc international committees.
- approving selection criteria for membership to office in IIA-Australia.
- formalising charters for the Board, Committees and the Chapter Councils (in draft).
- updating Delegations.
- formalising a planning cycle for the Board.

Following legal advice, all Directors (whether Chapter elected or appointed as Director-at-large) are now eligible to hold an office bearer's position on the Board and serve terms of two years. These changes required an Extraordinary General Meeting in June to change the constitution.

We have not finished yet: The Board has planned an independent review of performance of the Board and its members; a draft Charter for Chapter Councils; and implementation of a revamped Risk Assessment with KPIs and measurement of performance. Soon a draft discussion paper will be circulated to Councils and members concerning Governance in IIA-Australia.

Financial Report

The year has a very pleasing result. There is an increase in members' equity and an increase in surplus (discounting the significant profit from the International Conference in 2004). SOPAC 2005 was very successful and I congratulate the SOPAC 2005 Chair (Jocelyn Newton), the SOPAC Committee and all the volunteers.

PRESIDENT'S REPORT

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

IIA-Australia is in a sound financial position, and is focussed on improving that position as it expands the membership.

Membership

Membership and certifications have increased and the Board has set targets for next year as follows:

	2005	Target 2006	Target 2010
Members	2473	3000	5000
CIA	498	750	2500
CGAP	18		
CCSA	17		
CFSA.	1		

Congratulations to the 58 members who were successful in gaining the Certified Internal Auditor status in 2005, through the regular CIA process. Of the 145 successful CIA Challenge candidates, the top five are Manuel Jose Rebello de Andrade, Dania Ahwang, Wayne Basford, David Harradine, Denise Wong.

Congratulations to the following members who were successful in achieving CCSA in 2005.

Frederick Z Beck CIA
Soizic Bellemere CIA
Robyn Soxsmith

Congratulations to the following members who were successful in achieving CGAP in 2005.

Julie Christine Crisp CIA
Glen Charles Howard CIA CCSA
Sally-Anne Pitt
Michael O'Connor CIA
Graham John Smith

Advocacy and Profile

As the Institute represents the profession to parliamentarians (Federal and State, ministers and shadow ministers), regulatory authorities (Australian Stock Exchange Governance Council, ASIC, APRA, AuASB, Australian Financial Reporting Council and the Australasian Council of Auditors-General), and associated professional bodies (IFAC, ICAA, CPA Australia, AICD, Standards Australia and SAI Global) our advocacy and profile work is increasing. There is also a consequent need for senior internal auditors to review whether they need certification as a professional internal auditor.

The Institute has been busy in 2005 on advocacy and profile matters and various presentations to the members across the Chapters. It is anticipated that following the review of staff levels and the structure of National Office, that this activity will increase.

External Quality Assessments

All Internal Audit units who claim to be in compliance with the IIA Standards will need to have completed an External Quality Assessment by 1 January 2007.

A newly appointed member of staff, Andrew Cox (who has a background as a senior practitioner and chief audit executive) is a point of contact for Quality Assessments and on technical issues relating to internal auditing matters.

Asia-Pacific Region

During 2005, IIA-Australia ceased to provide administrative services to IIA-New Zealand.

IIA-Australia staff and members travelled to IIA-Fiji to participate in their annual conference; to IIA-PNG to conduct training. Plans are in place for a staff exchange with IIA-Malaysia during our respective conferences. We have extended invitations and assistance to these Asia-Pacific colleagues to join us at SOPAC 2005.

Retirements

I note the retirements of Todd Davies CIA, Robert Forbes CIA, Dean Wells CIA CGAP, Peter Wise CGAP.

Vale

Telfer Newton Steel
1916-2005

I note the passing of Telfer Steele CIA, in July 2005. I met him when I was first a National Director in 1983/84. Telfer was already part of IIA-Australia history.

Telfer joined the Institute in 1966 after taking up duties as the Audit Manager for the Australian Gas Light Co. He served as President of the Sydney Chapter in 1967-68. In 1970 Telfer, with the then Sydney President Mike Mooney, was instrumental in the creation of the South Pacific Region and served as the first Vice-President of the Institute representing this Region. In this capacity he delivered the opening address at the first Regional Conference in Canberra in 1971. Telfer continued to attend Regional meetings in various capacities until the formation of the National Institute in 1986 when he became the Secretary for the new body, until 1988.

His other major inputs to the Institute included the incorporation of the IIA-Australia and development of the Memorandum and Articles (with Graham Paton); serving on the 1985 International Conference Committee; an article for the 40th Anniversary magazine.

Telfer was made a Life Member in 1987.

PRESIDENT'S REPORT

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

Conclusion

I thank each of the directors for their work and assistance to me over 2005.

Finally, my thanks also to Christopher McRostie, Julie Young, Anna Soo, Cathie Moore and the other national office staff, for their diligent work which made 2005 such a successful year. They have worked through significant changes being made by the Board, and sometimes felt the ire of members and Chapter Councils who were themselves trying to cope with the changes. Thank you and congratulations on your performances.

Vincent Burns CIA CGAP FIIA(Aust)
National President

Thank you

The Institute wishes to thank all Board, Chapter Council Committee and working group members for their time and effort throughout 2005.

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@iaa.org.au

CHIEF EXECUTIVE REPORT

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



Mr Christopher McRostie
Chief Executive Officer

Highlights for 2005:

While it may be some time before IIA-Australia hosts another IIA Global International Conference as we did in June 2004, the March 2005 SOPAC Conference set new attendance, sponsorship and exhibition benchmarks for our national conference.

SOPAC attracted delegates from across Australia, New Zealand and quite a number from other IIA affiliates in the Asia Pacific Region, with a total of 440 registered delegates. While as would be expected, the 2005 National Conference was not on the scale of 2004, it still provided a program that well represented the diverse nature and opinions of the internal audit profession. As in past years the 2005 conference was able to attract a number of significant overseas speakers including the IIA Inc Global Chairman Mrs. Betty McPhilimy CIA.

I would like to pay tribute to the 2005 Organising Committee chaired by Ms Jocelyn Newton and the IIA-Australia Staff for the work and time devoted to ensuring that 'SOAPC' remains the 'pre-eminent' internal audit conference in Australia. Additionally my thanks to the IIA-Australia Board for its support of the 2005 Committee and staff.

Leaders Planning Day:

IIA-Australia held its annual "Leaders Planning Day" in August 2005. The planning day group was comprised of all IIA-Australia Board Members and senior IIA-Australia staff. The 2004 planning day concentrated on reviewing the key messages and approaches that the IIA-Australia needed to adopt to best reflect the focus of the profession. In 2004, the 'leadership team' identified 'four key' areas for the IIA-Australia to focus upon in 2005-2006. Those areas were "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". In 2005 this message was further refined and articulated into the four areas of focus that better align

IIA-Australia with the IIA Global approach, this being **ADVOCACY – CERTIFICATION – MEMBERSHIP – TRAINING.**

Administrative Matters:

The growth in member communication continues to expand with even more effective use of email technology to contact members as a whole or to specific interest groups. At Chapter level many Councils use the technology to deliver their monthly Newsletter. In addition, members are regularly updated on Professional Development events and Members' meetings.

In 2005 members began receiving on a monthly basis a newsletter titled *Risk Management* and this service to members will continue in 2006. Apart from the bi-monthly international journal members now regularly receive email news on a range of topics generated from the IIA's global head quarters.

New Member Service in 2005 for Chief Audit Executives:

In 2005 IIA-Australia signed a service agreement with IIA Inc to allow IIA-Australia to promote the 'Chief Audit Executive Network' to members in Australia. To date the take up rate has been positive and it is anticipated that in 2006 the promotion of the service will be expanded.

Continuing Professional Education (CPE):

In 2006 the IIA-Australia will introduce an even more comprehensive training program that will enable all members to have better access to and knowledge of a greater number of courses right across the country. Members received in late 2005 a brochure that outlined this new approach with its comprehensive range of courses. Additionally, all training information is available on the IIA-Australia website as is the facility to register online.

CPE remains one of the Institute's core functions as the primary internal auditor educator in Australia. The Institute ran five major conferences in 2005 along with joint ventures with organisations such as CPA Australia, Australian Institute of Company Directors, KPMG Audit Committee Institute and Deloitte's IT Training. In addition to these events the IIA-Australia continued to provide a significant level of training at the chapter level through the provision of a broad range of courses, seminars and members meetings.

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 the CIA reached a new peak in November 2005 when some 400+ candidates sat the examination. Some fifty percent of the November candidates registered as "challenge" candidates as a result of a four way agreement between IIA-Australia/IIA

CHIEF EXECUTIVE REPORT

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

Inc and CPA Australia and ICAA. In 2005, IIA-Australia had some 600+ candidates undertake this global examination. The three remaining certifications CCSA, CGAP and CFSA, continue to attract a good deal of interest but not at the same levels as the CIA.

Membership:

Membership Analysis: As at the 31 December 2005, the IIA-Australia had 2,473 Financial Members – a fantastic result. (IIA-Australia ended 2004 with 2,119 members). In addition, IIA-Australia has contact with a further 3,500+ internal audit professionals on the 'potential member' list.

The Queensland, Victoria and Canberra Chapters lead the way with Membership Growth in 2005 and I congratulate these three Chapters for their outstanding efforts.

It is anticipated that growth in membership will be maintained in 2006, due to internal audit's increasingly high profile in all sectors. The 2006 membership target is 3000 members by 31 December.

At the global level membership reached 115,000 in December 2005.

IIA-Australia Governance:

In late 2004 and early 2005 the Board finalised a number of significant 'governance' initiatives, firstly by formalising the establishment of Charters for the Board, the Audit Committee and establishing the Nominations Committee and the Remunerations Committee. Details are available on the IIA-Australia website.

Constitutional changes: In early 2005 the Board became aware of a number of anomalies in the new IIA-Australia Constitution approved in May 2004. As a result the Board called an Extraordinary General Meeting in July 2005 to allow members to vote on these matters. As a result of the matters put to the EGM these anomalies were rectified.

At the end of 2005 the Board was finalising the drafting of a "Chapter Council Charter"-the final charter required in the current governance review. All Chapter Councils were consulted in the drafting process and it is anticipated that the final version will be provided to Chapter Councils in May 2006.

IIA INC Global Governance:

IIA Inc Board: Mr. William (Bill) Middleton CIA a past President of IIA-Australia remained the IIA-Australia elected Director on the Board of IIA Inc. The IIA Inc Global Board meets twice a year and in 2005 met in Chicago and Orlando. In addition there were a number of teleconference meetings.

Chief Executive Officers Meeting: As part of the IIA's move to become a more global organisation the Chief Executive Officers of up to twenty-five affiliates are invited to attend these meetings. The aim is 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 of Institutes of Internal Auditors (ACIIA) met only once in 2005 and this was in conjunction with the ACIIA annual conference in Tokyo in September 2005. The IIA-Australia representatives at the meeting and conference were Mr Michael Parkinson CIA and me as IIA-Aust CEO.

Strategic Alliance:

IIA-Australia signed a joint strategic alliance with The Institute of Chartered Accountants Australia and CPA Australia in mid-2005. As a result of this agreement, IIA-Australia offered to all eligible members of both organisations the opportunity to undertake the CIA 'challenge examination'. The examination took place in November 2005. The current agreement remains in place until late 2006.

Administrative Agreement with IIA-NZ:

The Administrative Agreement between IIA-Australia and IIA-New Zealand was initially extended until the 28 February 2006. In my 2004 report I had indicated that the Board of IIA-Australia would be reviewing the administrative agreement in the first half of 2005. This review did take place and in discussion with the new Board of IIA-New Zealand it was agreed to terminate the existing agreement at the end of October 2005. The key factor behind this decision was the rapid growth in membership and the services required by members in the respective Institutes. It was felt that these needs would be better serviced with the resumption of a fully functioning IIA-NZ Office.

IIA-Australia Website:

As reported in 2004, the National Office would undertake a review of the current IIA-Australia website in 2005 and this task was done in conjunction with an online survey developed by the NSW Chapter of the IIA-Australia. It is anticipated that in the second half of 2006 a revamped IIA-Australia web site will be in operation.

Sponsorship:

The Institute continued to attract a range of sponsors in 2005, with a particular focus on the SOPAC 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.

2005 NATIONAL POLICY COMMITTEES

The Institute of Internal Auditors-Aus

2005 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 and in particular the National Office Team for their ongoing dedication to the provision of the many services offered.

Christopher McRostie
Chief Executive Officer

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 115,000 members in over 120 countries.

The Institute of Internal Auditors–Australia together with the Institute of Internal Auditors–New Zealand, the Institute of Internal Auditors-PNG and the Institute of Internal Auditors-Fiji 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 on various committees at the international level.

Executive Committee and past Chairman of the Board -
Robert N. McDonald OAM CIA CGAP
International Board - Bill Middleton CIA

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 CIA
International Relations Committee – Michael Parkinson CIA; Christopher McRostie
Professional Issues Committee - Michael Cox, Gary Anderson CIA
Professional Seminars - Stephen Tiley CIA
Committee on Quality – Andrew Cox
Asian Confederation of Internal Auditors – Michael Parkinson CIA; Christopher McRostie

Queensland

2005 has been an extremely busy year for the Queensland Chapter, with 34 professional development events during the year, with an average attendance of 28 people. As always, our members meetings lead the way with an average attendance of 60 people. The topics covered at our professional development events included:

- International Financial Accounting Standards
- Enterprise Risk Management;
- Communication audits;
- Computer Forensics & Fraud & Corruption; and
- Sarbane Oxely Implementation Issues.

Of course, the highlight of the year was SOPAC 2005, which the Qld Chapter hosted very ably (even if I have to say so myself). SOPAC boasted 33 presenters, including 6 from overseas, the IIA Inc bookshop came to visit, and 440 delegates attended the conference.

I would like to acknowledge the efforts of National Office staff and the Qld Chapter SOPAC Committee who worked so hard to deliver the conference. However, I would be quite happy to never stuff another delegate satchel in my life. I almost did not make the dancing on Tuesday night.

The Queensland Chapter was set a target of 400 members by December 2005 by the National Board. I am happy to announce that our membership stands at 433 members. However, I am a little worried about what the membership target will be set at for 2006.

CHAPTER REPORTS

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

The Qld Chapter held 10 council meetings during 2005, with additional meetings to discuss our professional development activities and SOPAC. As part of our accountability to members, the Qld Council decided to disclose attendance of councillors at council meetings. This information was circulated at the Annual meeting.

The Qld Chapter's dedication to certification has continued during 2005. The Qld Chapter held three well-attended information sessions for the certifications and Challenge exam.

- 51 candidates sitting 98 parts of the CIA program;
- 2 candidates sitting the CCSA program;
- 2 candidates sitting the CGAP program, and
- 30 candidates sitting the Challenge Exam.

During 2005, we had the pleasure of presenting CIA certifications to 12 members, CCSA certifications to two members, and CGAP certifications to two members.

I would like to acknowledge the contributions of following:

- Tania Stegeman for professional development;
- Michael Martyn for professional development and certification;
- Neville Moo and Karen Ung for secretary;
- Malcolm Duce for QPSARA;
- Ian Rodin for Treasurer;
- Jocelyn Newton and Robert Forbes for National Director;
- Neville Moo, John Boyd and Andrew McLeod for international committees.

I would also like to acknowledge those organisations who make running our professional development events easier – Ernst & Young, PWC, BDO Kendalls and Qld Health.

Without their contribution, our professional development events would be much more expensive to operate and we would not be able to provide as many services to our members. These services also include maintaining a contribution to the Queensland Audit Office library; providing awards to students at CQU and SQU, and the QPSARA event.

Next year, in partnership with National Office, we intend to continue offering a relevant and topical professional development program, and will be working with members in Cairns and Townsville to improve the services to our members in the North.

2005 Queensland Office Bearers

Chairman: Cathy Blunt CIA MIIA(Aust)
Vice Chairman: Michael Martyn CIA MIIA(Aust)
Vice Chairman: Stuart Dix MIIA(Aust)
Treasurer: Ian Rodin MIIA(Aust)
Secretary: Neville Moo MIIA(Aust)
National Director: Robert Forbes CIA MIIA(Aust);
Jocelyn Newtown MIIA(Aust)

Cathy Blunt CIA MIIA (Aust) 2005 Chapter Chairman

New South Wales

Achievements

The achievements which have been substantial this year include:

Profitability

We have outstripped the financial performance of past years and have exceeded both our budgeted and mid-year reforecast performance for the Chapter. This has been without doubt due to the energy and strategies of the PD Committee Chair, Stephen Horne, and his team.

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, with the assistance of sponsors, 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 continued with holding a number of members' meetings outside of the Sydney CBD. These were held at Penrith and at Newcastle. We thank our hosts and sponsors during the year, including:

Horwath
Newcastle City Council
Penrith City Council
Resources Global Professionals
RSM Bird Cameron, and
University of Western Sydney

Other Formal Events

In relation to other formal events, including Council Meetings, Audit Executive Network meetings, Hot Topic sessions, Chairman's lunches, as well as this AGM itself, it should be recognised that 2005 has seen continuing and growing success in line with the substantial energies of Councillors, the increased focus on the role of the Internal Auditor in the business,

CHAPTER REPORTS

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

government and not-for-profit sectors, and with the level of support from sponsors and supporting organisations. In this regard I make special mention, in addition to those I have already mentioned, of

Deloitte
Ernst & Young
KPMG
PricewaterhouseCoopers, and
Protiviti.

Membership Numbers

While the membership numbers fluctuated throughout the year, I am pleased to report that there are more than 820 members in NSW now compared with 755 reported at this time last year. We endeavoured to focus more heavily on this aspect in 2005 and, with National Office, are hopeful of increased numbers in the coming year.

Advocacy

Other achievements of note include the level of advocacy by the NSW Council, continuing from 2004, in the area of local government in particular. Councillors met with the local government Minister and opposition spokesmen and put a formal submission to the Department of Local Government's inquiry into internal audit and audit committees. The Institute was also recognised by ICAC this year for its contribution to the newly issued guidance on probity advising and probity auditing in the public sector.

CIA and other Qualifications

It is noted that the number of members obtaining higher qualifications through the Institute continues to grow. NSW now has 113 CIAs as well as 4 CCSAs and 1 CGAP. I am hoping to become a positive statistic in that regard in 2006. I thank the members who helped in the supervision of the CIA and other examinations, and those people who have undertaken the study for these qualifications, as I know from personal experience that the course work is clearly a difficult and substantial test of one's desire to excel and to advance the profession of internal auditing.

Less Formal Activities

We again held the traditional 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. The tradition was started only last year, of course, but a tradition is a tradition, and I sincerely hope that the Golf Day will become a very long standing tradition for the Chapter. I make special mention of thanks to RSM Bird Cameron, Masters Le Mesurier, Gil Smith ISRM and Des Brady for their support and assistance in making the Golf Day a huge success.

National Office

The Institute continues to achieve at a National level as indicated by Vince Burns, the President, in a recent letter to members. National office also supports and directly assists the operations of Councils and the Chapters themselves. On behalf of Council, I extend our sincere thanks for that continuing and highly professional support for the NSW operations. Of particular note of course are the efforts of Christopher McRostie, Julie Young and Anna Soo but we also acknowledge the other National Office staff as effective and supportive colleagues. I mention and thank also Ian Williams for his support of the CIA program in NSW and Des Brady for his continuing support through work at National Office on the IIA-Aust archives and history.

The elections

In 2005 we had the achievement of having as many as three Councillors who were women. One of those was appointed during the year to the IIA-Australia Board, and one was unable to re-nominate because of pressures of work.

So in 2006 there will be only one female member of Council. I hope this means that women members believe that things are being managed well enough without them although I am a little disappointed that men continue to be represented disproportionately on Council. So too are consulting firms although, in my experience on Council, the best interests of the Institute and all of its membership remain as the overwhelming motivation for the Council's actions.

Conclusion

It has been an event filled year. There have been substantial changes to the roles of National Office and the Chapter Councils, and there have been important achievements and records set by the NSW Council.

I note for the record that the NSW Council has comprised 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. For those of the 2005 team continuing into 2006 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.

CHAPTER REPORTS

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

2005 NSW Office Bearers

Chairman: Neil Adams FIIA(Aust)
Vice Chairman: John Goddard MIIA(Aust)
Vice Chairman: Stephen Horne MIIA(Aust)
Treasurer: Jason Darr MIIA(Aust)
National Director: Paul Apps MIIA(Aust)

Neil Adams FIIA (Aust) 2005 Chapter Chairman

Victoria

A successful program of events and other activities took place in 2005. Highlights included

Advocacy

The Victorian Chapter Council has made some good progress with the AICD with the launch of our inaugural event with them and participation in the CPA Australia internal audit seminar.

Membership

The Victorian Chapter is ahead of its target. The plan for 2005 is to focus on some personal approaches to key corporates for increasing membership growth. Also, a "Young Members" forum is being considered.

Education

The Victorian Chapter Council achieved delivery of its key education program and is now transitioning to a more complete National program for 2006 that will enhance opportunities for members.

Member Meetings

These were successful in quality and attendance, but the plan is to increase their frequency in 2006.

Heads of Audit

A number of specific events were held for Heads of Audit and these were judged to be successful in quality. The plan is to repeat and possibly increase them in 2006.

I thank the Chapter Councillors because without their effort these programs would not proceed.

I would also like to thank the staff of the IIA-Australia National Office. Christopher 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.

2005 Victorian Office Bearers

Chairman: Gary Anderson CIA MIIA(Aust)
Vice Chairman: David Latta MIIA(Aust)
Vice Chairman: Elma von Wielligh-Louw CIA MIIA(Aust)
Treasurer/Secretary: Cameron Duck CIA MIIA(Aust)
National Director: Dean Wells CIA CGAP FIIA(Aust); Jean Jansen MIIA(Aust)
Director-at-large: Gary Anderson CIA MIIA(Aust)

Gary Anderson CIA MIIA(Aust) 2005 Chapter Chairman

South Australia

A successful program of PD and other events was held during 2005, including a number of members' meetings, chairman's lunches for Internal Audit executives, Education courses and the SA Audit Conference.

Special thanks are extended to the presenters and also the following sponsors:

- KPMG
- Ernst & Young
- PKF
- SA Attorney-General's Department
- Public Trustee

The SA Chapter has achieved an outstanding financial result for 2005 with gross income increasing from \$17,809 in 2004 to \$27,859 (56% increase) and net profit increasing by \$5,306 (figures to end of October 05), even allowing for the donation of a SOPAC door prize at the IIA-Australia SA Conference and the provision for the first time of free members' meetings.

The Chairman commented that 2005 had seen fundamental changes in the way in which the SA Chapter would function in the future. The impact of those changes had been considered by the National Board with significant input from the SA Council which had expressed concerns with regard to certain issues. The Board ultimately considered the changes were necessary to ensure a more centralised consideration of the ongoing promotion of the IIA-Australia and its members' services. The Chairman entreated those present at the AGM to support the incoming Council in its efforts to make the new model work on behalf of all members and made the point that Council relies on the input of all members and not just elected Councillors.

It was noted that during the year two Councillors, Tony Simons and Schalk Breeschoten, who had both given substantial service to the IIA-Australia, had resigned for work-related reasons.

CHAPTER REPORTS

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

Thanks are conveyed to 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.

2005 South Australian Office Bearers

Chairman:	Rob Martland CIA FIIA(Aust)
Vice Chairman:	Tony Simons MIIA(Aust)
Treasurer:	Henry Awad FIIA(Aust)
Secretary:	Peter Barns MIIA(Aust)
National Director:	Jim Gouskos MIIA(Aust)

Rob Martland CIA FIIA (Aust) 2005 Chapter Chairman

Western Australia

The 2005 year has been a successful year for the IIA-Australia WA Chapter with involvement in activities to assist members in their professional development; 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.

Some highlights:

National

It is pleasing to note that additional funding for smaller/isolated Councils was approved for the National Education Program. Also, there have been indications that WA will have access to the full range of courses provided to our eastern state colleagues.

IIA-Australia's CEO, Christopher McRostie visited late in the year to develop, or further strengthen, our links with ICAA, CPA Australia, and the Australian Institute of Company Directors. We are looking to run some joint presentations with the AICD during 2006.

International Committees

National Office has nominated two of our committee to serve or assist on international committees in 2006.

Profile

Discussion with recruitment agencies (to raise the profile of the IIA-Australia in the job market) initiated, with an expectation that we carry on next year.

Newsletter – re-initiated. Distributed via a link to the website.

Sponsorship and presentation to Universities – It is planned that in 2006 sponsorship in the form of an award to students at UWA, Curtin, ECU and Murdoch will be provided.

Current membership is 165.

Professional Development

Conference –total attendance was 81. It was very well received by those who attended, particularly the *Best Ever Internal Audits* session. The financial result is comparable to 2004.

Five members meetings were held with a combined total of 213 attendees. Two of these attracted more than 50 attendees each.

Three courses were run –
Enterprise Risk Management, with eight attendees;
Tools and Techniques for the Beginning Auditor, with 13 attendees;
Writing High Impact Audit Reports, with eight attendees.

Long Serving Members

20 Years

Domenic Cuscuna

15 Years

Subir Chaterjee
Brian Plester
Mark Puzey
John Van Dieren

10 Years

Janaki Chandraratna
Shane Devitt
Travis McAuliffe
Jasey Ng
Jon Petelczyc
Bronwyn Rose

5 years

Gavin Buckingham
Cas Filar
David Hanham
David Hatzon
Rema Indran
Cecilia Koh
Grant Padget

CHAPTER REPORTS

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

CIA Program

Thanks once again to John Doyle and his staff for his assistance with the CIA program.

Sponsorship / other assistance

The WA Chapter received assistance through the year from the following:

Conference sponsors – **PWC** (Primary Sponsor); **Deloitte** and **Stanton Partners**.

Presenters at our PD courses, members meetings and conference – thank you for your time and effort.

Ernst & Young – have supported the IIA-Australia for many years and again will host and present the results of the IIA-Australia/E&Y Internal Audit Benchmarking Survey.

Deloitte – for providing an exceptional venue and refreshments for our council meetings this year. Finally, thank you to all **members** participated in the events that we ran this year.

Financial Results

To the end of October 2005, we have a surplus of approximately \$7,500. This does not include the final figures for the annual conference, which resulted in a strong financial outcome.

Council

At the end of my first year as Chair, I sincerely thank all Councillors for their strong support, professional approach and willingness to participate in all activities. I am reluctant to single out individuals as there is a chance that I will forget someone. Suffice to say that everyone has contributed to a very successful year and I look forward to next year with great enthusiasm and confidence that the IIA-Australia will further progress the best interests of its members.

2005 West Australian Office Bearers

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

Stephen Linden MIIA (Aust)
2005 Chapter Chairman

Canberra

Following on from a good year in 2004, this year of 2005 was a very successful year for the IIA-Australia Canberra Chapter.

HIGHLIGHTS IN 2005

Financial Management

Canberra exceeded its budget yet again.

Membership

Canberra Chapter membership was up 25 to 145 in 2003 (21% increase), 145 to 167 in 2004 (15% increase), and for 2005 continued to grow from 167 to 212 (27% increase).

Professional Development

March	CIA Preparation Course (3 days)	16 attendees
May	Tools & Techniques for the Beginning Auditor (4 days)	20 attendees
August	Writing High Impact Audit Reports (3 days)	14 attendees
November	Tools & Techniques for the Beginning Auditor (4 days)	15 attendees

Members Meetings

This year it was decided to continue with the theme of topical subjects at Members Meetings, and to continue to partner with other relevant professional bodies in order to raise the profile of the IIA-Australia. This also contributed to more people attending Members Meetings and encouraged networking afterwards.

February	Forum on Recruitment & Retention of Auditors (partnering with various recruitment firms)	39 attendees
April	International Financial Reporting Standards (IFRS)	26 attendees
May	Public Sector Audit Committees	11 attendees
August	Certifications (partnering with ISACA & RMIA)	26 attendees
October	KPMG Fraud Survey	32 attendees
November	Integrating the Audit (partnering with ISACA)	18 attendees

CHAPTER REPORTS

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

Conferences

Canberra Chapter Conference

Accepting the challenge of organising a one-day seminar in June was only the beginning for Councillor Brendan Clarke who went on to arrange a very successful event at Rydges Lakeside Hotel attended by 65 people.

One-day joint seminar with the AICD

In September, for the second year running, a joint effort between the Canberra Chapter and the Australian Institute of Company Directors in Canberra resulted in a very successful one-day seminar at the Hyatt Hotel on "Public Sector Governance and Risk Forum", with close to 70 people attending.

Canberra Certification

- Current CIAs - 28.
- Current CGAP - 4.
- Current CCSA - 2.
- CIA Candidates May 2005 – 13.
- CIA Candidates November 2005 – 13.
- CGAP Candidates November 2005 – 1.
- CCSA Candidates November 2005 – 2.
- CIA Challenge November 2005 – 15.
- CIA On Demand 2005 – 1.

Sponsors

Thanks to KPMG, Ascent, and Hays for sponsoring the Canberra Chapter Conference.

Thanks to Protiviti for sponsoring the joint IIA-Australia/AICD one-day seminar, and also for sponsoring the AGM and Christmas function.

Thanks to Ernst & Young for providing the venue for the monthly Canberra Council meetings.

IIA-Australia Canberra Chapter Council

Thanks to the 2005 Canberra Chapter Council:

- Andrew Cox (Chair and Members Meetings).
- Fiona Knight (Deputy Chair).
- Richard Rundle (Deputy Chair & Members Meetings).
- Hilary Cuerden-Clifford (Secretary).
- Fran Geysen (Treasurer).
- Sammy Benedictos (Professional Issues).
- Nathan Brown (Certification).
- Vince Burns (National Director).
- Brendan Clarke (Professional Development & Canberra Chapter Conference).
- Alison England (Co-Ordinator Council Meetings).
- Michael Harris (Professional Development).

- Christopher Metha (Members Meetings).
- Bill Osborne (Members Meetings).
- Michael Parkinson (Conferences).
- John Reis (Standards).
- Norris Robertson (Profile & IIA Website Liaison, including Membership).

2005 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) 2005 Chapter Chairman

Tasmania

What a great year 2005 has been for the Tasmanian Chapter Council.

I would like to thank all our Members for their effort and support this year. For such a small group of Councillors, we have been able to provide a good assortment of lunchtime seminars on topics as diverse as performance auditing to managing and preventing fraud. Of course, thanks also goes to National Office staff for their assistance.

We will have run a total of three IIA Inc professional development courses by the end of December, a record for this State. Such was the popularity of the two-day *Conducting Investigations* course earlier in the year that the Council decided to run it twice.

I was pleased to attend this year's SOPAC in Brisbane. I personally found it to be an educational and rewarding experience, not the least of which was the opportunity to meet and network with such a diverse range of Internal Auditors from interstate and overseas. I am sure next year's event in Sydney will be just as valuable and I encourage Members to make the effort to attend if you can.

CHAPTER REPORTS

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

The Tasmanian Chapter's membership numbers have been reasonably steady and are currently at just over 40. The Council itself has seen a few changes with Rebecca Faloon joining us as our new Secretariat, Peter Austen taking on the role of National Director and Steven Wade joining the Council. Craig Thorssell re-joined and was my Vice-Chair, following a year's sabbatical in South Africa.

Notably, we farewelled former National Director, Peter Wise, in his retirement from the profession, due to ill health. Peter has been a strong promoter of the Institute in Tasmania and the backbone of the Chapter Council here for a long time. Christopher McRostie was kind enough to join us for a special Council meeting and farewell lunch for Peter, where he was presented with a certificate honouring his contributions. We wish Peter and his family all the best.



L to R: Christopher McRostie, Peter Wise

The Institute is currently going through a period of change and re-focus and, as outgoing Chair, my hope is that the specific and unique features of a small Chapter such as Tasmania will be adequately addressed in any changes to governance arrangements.

Many thanks go to the members of the Chapter Committee for their active support of the Institute throughout the year, and to all members, especially those who participated in the professional development activities.

The Tasmania Chapter has performed well financially in 2005, continuing on from our success in 2004. It should be noted that membership fees are paid direct to and accounted for directly by National.

The professional activities hosted by the Institute this year were, from an educational and financial perspective very successful. A number of lunchtime seminars were run as well as two IIA Inc produced courses which were all well attended.

It is planned to offer further IIA Inc. PD courses in 2006. Due to the high fixed costs of making these courses available in Tasmania, they require your support to ensure that these PD opportunities can continue to be offered. Comparatively they offer excellent value for money when considering the on costs of attending similar courses on the mainland.

I extend a wish for the continued success and advancement of the Institute and the profession in 2006.

2005 Tasmania Office Bearers

Chairman:	Janine McGuinness MIIA(Aust)
Vice Chairman:	Craig Thorssell MIIA(Aust)
Treasurer:	Mathew Moore MIIA(Aust)
Secretary:	Rebecca Faloon CIA CCSA
MIIA(Aust)	
National Director:	Peter Austen CIA MIIA(Aust)
Councillor:	Steven Wade MIIA(Aust)

Janine McGuinness MIIA(Aust) 2005 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 2005	MEETINGS ATTENDED 2005	APPOINTMENTS	RESIGNATIONS
Vincent Burns	Canberra Vice-President President	6	6	22 May 2002 20 May 2003 17 May 2005	
Gary Anderson	Director-at-large Vice-President	3	3	17 May 2005 26 August 2005	
David Lawler	Director-at-large Vice-President	3	3	May 2005 26 August 2005	
Paul Apps	New South Wales	6	5	20 May 2003	
Peter Austen	Tasmania	6	6	6 March 2005	
Andrew Dix	Director-at-large	6	5	29 October 2004	
Jim Gouskos	South Australia	6	6	16 December 2004	
Jean Jansen	Victoria	6	6	6 March 2005	
Kathryn McLay	Director-at-large	3	3	26 August 2005	
William Middleton	New South Wales Vice President President Immediate Past President Director-at-large	6	6	17 April 1999 18 May 1999 15 May 2001 20 May 2003 18 May 2004	20 May 2003
Jocelyn Newton	Queensland	4	4	17 May 2005	
Michael Parkinson	Canberra Vice President President Immediate Past President Director-at-large	6	5	20 May 1996 1 March 1998 18 May 1999 15 May 2001 18 May 2004	15 May 2001
Mark Toogood	Western Australia	6	6	22 May 2002	
Todd Davies	Director-at-large	3	3	29 October 2004	26 August 2005
Robert Forbes	Queensland Vice-President President	2	2	1 January 2001 15 May 2001 20 May 2003	17 May 2005
Wesley Dean Wells	Victoria	-	-	22 June 2001	5 March 2005
Peter Wise	Tasmania	-	-	20 May 2003	28 January 2005
Christopher McRostie	National Secretary & Chief Executive Officer	6	6(a)	14 June 1998	

(a) The Chief Executive Officer attends board meetings by invitation.

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.

Gary Anderson CIA MIIA(Aust) CA CISA Appointed Director-at-large 17 May 2005. Managing Director, Protiviti.

David Lawler CIA MIIA(Aust) BA(Hons) Bus Stud FCPA CISA Appointed Director-at-large 17 May 2005.

BOARD MEMBER INFORMATION

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

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.

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

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

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

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

Kathryn Mclay CIA MIIA(Aust) CA Appointed Director-at-large 26 August 2006. Head of Group Audit with Woolworths Limited.

William Middleton CIA 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.

Jocelyn Newton MIIA(Aust) Appointed Director Queensland, 17 May 2005. Experienced in internal audit in the State government sector. Senior Internal Auditor, with Department of Corrective Services Qld.

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.

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.

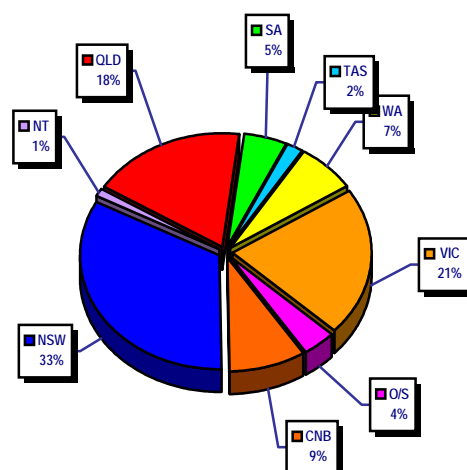
Todd Davies CIA CA Appointed Director-at-large 29 October 2004. Group Internal Auditor John Fairfax Holdings Ltd. Resigned 26 August 2005.

Robert Forbes CIA CA FCA MIIA(Aust). Gained the CIA qualification in 1996 and was 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. Resigned 17 May 2005.

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.

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.

MEMBERSHIP AS AT 31.12.05



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. Directors-at-large are appointed by the Board.

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

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

There are up to thirteen 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 2005, six 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 Presidents (two), 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 2005 have been:

- David Lawler, (current National Vice President) Chair
- Andrew Dix (Director)
- Jim Gouskos (Director)
- 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, Manager, Finance & Accounting, the external auditor and the internal auditor.

Meetings

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

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 2005	MEETINGS ATTENDED 2005
David Lawler	1	1
Andrew Dix	1	1
Jim Gouskos	1	1
Bill Middleton	2	2
Jenny Parker	2	2
Dean Wells	2	2
Vince Burns	1	1

During the 2005 calendar year the Committee undertook the following activities:

- Refined the new Internal Audit Work Program 2005 – 2008;
- Provided review and approval of the 2004 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 2005 financial budget process;
- Reviewed and confirmed the Terms of Reference of the Audit Committee;
- Reviewed the structure and membership of the Audit Committee; and
- Liaised with IIA-Australia staff and the National Board on governance issues.

David Lawler CIA MIIA(Aust)
Chairman Audit Committee

Policy Committees

A review of the work of policy committees resulted in the establishment/confirmation of the following committees to assist the Board progress the work of the IIA-Australia

Audit Committee

Academic Review Committee

Education Committee

Executive Committee

Remuneration Committee

Nominations Committee

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

Your directors present their report on the company for the financial year ended 31 December 2005.

The names of the directors in office at any time during or since the end of the year are:

Directors in Office

Vincent Burns CIA CGAP FIIA(Aust)
Gary Anderson CIA MIIA(Aust)
David Lawler CIA MIIA(Aust)
Paul Apps MIIA(Aust)
Peter Austen CIA MIIA(Aust)
Andrew Dix MIIA(Aust)
Jim Gouskos MIIA(Aust)
Jean Jansen MIIA(Aust)
Kathryn McLay CIA MIIA(Aust)
William Middleton CIA FIIA(Aust)
Jocelyn Newton MIIA(Aust)
Michael Parkinson CIA MIIA(Aust)
Mark Toogood CIA CGAP FIIA(Aust)

Retired Directors

Todd Davies CIA MIIA(Aust) (resigned 26 August 2005)
Robert Forbes CIA MIIA(Aust) (resigned 17 May 2005)
Dean Wells CIA CGAP FIIA(Aust) (resigned 5 March 2005)
Peter Wise CGAP MIIA(Aust) (resigned 28 January 2005)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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

The surplus of the Institute for the year was \$174,546, and this compares favourably with previous similar years when SOPAC has been held. The 2004 surplus was an excellent \$390,604 due to IIA-Australia hosting the IIA International Conference.

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

During the year fees were paid to Mr V Burns, Mr M Parkinson and Mr W Middleton for presenting courses and to Mr D Lawler for conducting External Quality Assessments prior to becoming a Director on 18 May 2005. These details are at Note 8 of the Annual Report. Except for these, 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".

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

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

Vincent Burns CIA CGAP FIIA(Aust)
11 April 2006

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

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

	2005	2004
	\$	\$
Subscriptions Revenue	511,058	477,566
SOPAC (International Conference 2004)	584,776	2,537,707
National and Chapters' CPE	777,637	612,819
Certified Internal Auditor	296,156	125,715
Other Revenues from ordinary activities	197,015	105,523
Interest	57,854	52,908
Total Revenue from ordinary activities	<u>2,424,496</u>	<u>3,912,238</u>
Occupancy Expenses	92,755	90,668
Marketing Expenses	16,417	16,259
Administrative Expenses	726,624	592,005
SOPAC (International Conference 2004)	394,235	2,177,817
National and Chapters' CPE	505,406	340,489
Certified Internal Auditor	173,600	80,692
Other Expenses from ordinary activities	<u>340,913</u>	<u>223,704</u>
Profit from ordinary activities before Income Tax Expense	174,546	390,604
Income Tax Expense	-	-
Net Profit from ordinary activities after Income Tax Expense	<u>174,546</u>	<u>390,604</u>

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

BALANCE SHEET

AS AT 31 DECEMBER 2005

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

		2005	2004
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	3	1,326,636	1,006,161
Trade and Other Receivables	4	94,129	332,367
Inventories		17,583	4,988
Prepayments and other		<u>99,872</u>	<u>69,148</u>
TOTAL CURRENT ASSETS		<u>1,538,220</u>	<u>1,412,664</u>
NON CURRENT ASSETS			
Plant and equipment	5	<u>24,319</u>	<u>14,495</u>
TOTAL NON CURRENT ASSETS		<u>24,319</u>	<u>14,495</u>
TOTAL ASSETS		<u>1,562,539</u>	<u>1,427,159</u>
CURRENT LIABILITIES			
Trade and Other Payables		206,054	412,363
Provisions		74,430	51,490
Deferred income		435,231	295,713
Research Foundation contributions	1(k)	<u>21,463</u>	<u>16,778</u>
TOTAL CURRENT LIABILITIES		<u>737,178</u>	<u>776,344</u>
TOTAL LIABILITIES		<u>737,178</u>	<u>776,344</u>
NET ASSETS		<u>825,361</u>	<u>650,815</u>
MEMBERS FUNDS (EQUITY)		<u>825,361</u>	<u>650,815</u>

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005
The Institute of Internal Auditors-Australia ABN 80 001 797 557

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		Inflows (Outflows)	Inflows (Outflows)
Receipts from customers		2,379,598	3,809,645
Payments to suppliers and employees		(2,149,980)	(3,563,535)
Interest received		57,854	52,908
Other receipts		48,448	60,135
Net cash provided by (used in) operating activities	7	335,920	359,153
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment		(20,130)	(7,350)
Research Foundation Contributions		4,685	2,124
Net cash used in investing activities		(15,445)	(5,226)
NET INCREASE (DECREASE) IN CASH HELD		320,475	353,927
Cash at the beginning of the financial year		1,006,161	652,234
CASH AT THE END OF THE FINANCIAL YEAR	3	1,326,636	1,006,161

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

CORPORATE INFORMATION

The financial report of the company for the year ended 31 December 2005 was authorised for issue in accordance with the resolution of the directors stated on 11 April 2006.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General

a) The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

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 measured at the lower of cost and current replacement cost. Costs are assigned on a specific identification basis. The carrying amount of inventories held for distribution is recognised as an expense in the period in which the inventory is distributed.

Plant and equipment

e) Plant and equipment are brought to account at cost. The carrying amounts of plant and equipment are reviewed annually to ensure they are not in excess of the recoverable amount of these assets. Furniture and fittings are depreciated over five years and computer and electrical equipment over three 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 2006 year but received prior to 31 December 2005 are carried forward in the Balance Sheet as deferred income.

j) SOPAC 2006. Revenue received prior to 31 December 2005 relating to SOPAC 2006 is carried forward in the Balance Sheet as deferred income. Expenses incurred prior to 31 December 2005 for SOPAC 2006 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 Balance Sheet. 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). During the year the Institute changed the method of invoicing for membership subscription renewal. Previously membership was on a calendar basis whereas it is now on the anniversary of each person's date of joining.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

Adoption of Australian Equivalents to International Financial Reporting Standards

n) The financial statements comply with Australian Standards as required by *AASB 101 Presentation of Financial Statements*. The adoption of Australian equivalents to IFRS has had no effect on the equity or profit and loss items of the financial reports of the Institute.

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 eight.

NOTE 3 CASH AND CASH EQUIVALENTS

	2005 \$	2004 \$
Institute Cash at bank and cash equivalents (a)	1,310,495	996,130
Research Foundation bank account (b)	16,141	10,031
	<u>1,326,636</u>	<u>1,006,161</u>

(a) The Institute's Cash for 2004 has been recast under IFRS to include cash equivalents being cash held on deposit with a maturity of less than three months. (2005 report \$996,130, 2004 report \$721,960). This has had no impact on the Institute's surplus for 2005.

(b) This bank account holds contributions received from members (shown in the Balance Sheet as a current liability) until a suitable research project is decided upon.

NOTE 4 TRADE AND OTHER RECEIVABLES

	2005 \$	2004 \$
Term Deposits	30,000	30,000
Trade Receivables	51,255	69,197
Less Provision for Doubtful Debts	0	0
Other Receivables	12,874	233,170
	<u>94,129</u>	<u>332,367</u>

Receivables include Term Deposits held by the bank as security for the bank's rental guarantee, as required by the lessor. The Institute's Term Deposits have been recast under IFRS to include only those deposits with a maturity of more than three months. In the 2004 Balance Sheet Term Deposits included an amount of \$274,169 that was held as a deposit with Westpac with a one month maturity now recast as cash and cash equivalents.

In 2004 Other Debtors represented an amount owed by the Institute of Internal Auditors Inc in the USA for the International Conference. In 2005 this amount was settled.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

NOTE 5 PLANT & EQUIPMENT

	2005 \$	2004 \$
Plant and equipment at cost	76,786	58,982
Less: accumulated depreciation	58,947	52,744
	<u>17,839</u>	<u>6,238</u>
Furniture and fittings at cost	33,535	31,210
Less: accumulated depreciation	27,055	23,350
	<u>6,480</u>	<u>7,860</u>
Library at cost	9,345	9,345
Less: accumulated depreciation	9,345	9,345
	<u>-</u>	<u>-</u>
Leasehold improvements at cost	9,039	9,039
Less: accumulated amortisation	9,039	9,039
	<u>-</u>	<u>-</u>
Software at cost	23,175	23,175
Less: accumulated amortisation	23,175	22,778
	<u>-</u>	<u>397</u>
Total plant and equipment at written down value	<u>24,319</u>	<u>14,495</u>

NOTE 6 LEASING COMMITMENTS

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

	2005 \$	2004 \$
Not longer than one year	111,460	100,255
Longer than one year but not longer than five years	616,347	48,338
Longer than five years	<u>644,464</u>	<u>-</u>
	<u>1,372,271</u>	<u>148,593</u>

The current lease of rental premises ceases 31 March 2006. New rental premises have been contracted for 10 years until 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

NOTE 7 CASH FLOWS RECONCILIATION

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

	2005 \$	2004 \$
Operating surplus (deficit)		
Non cash flows in operating surplus (deficit):		
Depreciation	174,546	390,604
Provision for employee entitlements	10,305	8,424
	22,940	15,241
Changes in assets and liabilities:		
Receivables		
Inventories	238,240	(278,641)
Prepayments	(12,595)	1,454
Trade Creditors	(30,724)	117,245
Accrued Liabilities	1,188	(26,066)
Cash flow from operations	(67,980)	130,892
Operating surplus (deficit)	<u>335,921</u>	<u>359,153</u>

B Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank and cash equivalents being cash held on deposit with a maturity of less than three months. In 2004 Term Deposits held for one month of \$274,169 (2003 \$152,502) were classified as receivables. Cash at the end of the financial year as shown in the Statement of Cash Flows equals the item "Cash Assets" in the Balance Sheet. The 2004 cash at the end of the financial year has been recast under IFRS. (2005 report \$1,006,161, 2004 report \$731,991)

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 the following Directors of the company by the company and any related parties:

	2005 \$	2004 \$
Mr W Middleton (a)	4,400	2,200
Mr M Parkinson (a)	1,100	1,100
Mr V Burns (a)	3,265	1,030
Mr D Lawler (b)	12,000	-

(a) Income paid is for fees for presenting Institute courses based on the same terms as other presenters.

(b) Income paid is for fees for conducting External Quality Assessments in 2005 prior to becoming a Director on 18 May 2005.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

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

	No.	No.
\$0	9	8
\$1-\$9,999	3	3
\$10,000 - \$19,999	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):

- -

NOTE 9 FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The Institute's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Maturing within 1 year	
	2005	2004	2005	2004	2005	2004
	%	%	\$	\$	\$	\$
Financial Assets						
Cash at Bank	0.15	1.35	105,793	40,430		
Deposits at Call	4.67	4.30	724,270	681,530		
Research Foundation	0.10	0.20	16,141	10,031		
Term Deposits	4.58	4.86			480,432	274,169
Total Financial Assets			846,204	731,992	480,432	274,169

(b) Credit Risk

The maximum exposure to credit risk at balance date is the carrying amount of those assets, net of any provisions for doubtful debts (which is nil), as disclosed in the Balance Sheet and notes to the financial statements.

The Institute does not have any material credit risk exposure to any single debtor or group of debtors under

(c) Net Fair Values

The net fair values for assets and liabilities is their carrying value. The net fair values and carrying amounts of financial assets are disclosed in the Balance Sheet and the notes to the financial statements.

NOTE 10 SEGMENT REPORTING

The company operates wholly within one segment 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 are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position of the company as at 31 December 2005 and of the performance for the year ended on that date.
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.

Vincent Gerard Burns CIA CGAP FIIA(Aust)
Director, President

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

FOR THE YEAR ENDED 31 DECEMBER 2005

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, 2005. 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.

AUDITOR'S DECLARATION

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Director's of the Institute of Internal Auditors Australia:

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2005 there have been

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

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, 2005 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

28 March 2006

DETAILED STATEMENT OF INCOME & EXPENDITURE

FOR THE YEAR ENDED 31 DECEMBER 2005

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

	2005 \$	2004 \$
OPERATING INCOME & EXPENDITURE		
Membership		
Subscription renewals	411,205	393,975
New members subscriptions and fees	99,853	83,591
Affiliation fees to IIA Inc	(28,574)	(25,187)
Database and other costs	(4,305)	(4,942)
	478,179	447,437
Members' Services		
US Internal Auditor magazine (Net)	(85,011)	(71,253)
Chapter meetings and Newsletters (Net)	(349)	(279)
Annual Report and AGMs	(15,374)	(13,261)
Members' Handbooks and Standards	(10,859)	(9,211)
Other Members' Services (Net)	16,740	6,644
	(94,853)	(87,360)
Continuing Professional Education (CPE)		
SOPAC (International Conference 2004)	190,541	359,890
National and Chapters' CPE (Net) (see attached table)	272,231	272,330
Certified Internal Auditor (Net)	122,556	45,023
	585,328	677,243
Other Activities		
Sponsorship (Net)	0	5,727
PR and Marketing (Net)	(16,417)	(16,259)
Peer Reviews and Publications sales (Net)	33,805	11,203
International & Regional	(49,971)	(17,622)
	(32,583)	(16,951)
NET OPERATING INCOME	936,071	1,020,369
NET ADMINISTRATIVE EXPENSES & NON-OPERATING INCOME		
Board and Communications	(157,903)	(143,357)
Salaries and Personnel Costs	(554,789)	(463,433)
Rent	(85,825)	(84,829)
Depreciation	(10,305)	(8,424)
Other Occupancy Expenses	(6,930)	(5,839)
Room Hire Income (Net)	300	428
Auditors' Remuneration	(4,210)	(3,750)
Banking, Legal and Accounting Costs	(38,367)	(19,976)
Insurance Premiums	(12,935)	(12,801)
Interest Earned	57,854	52,908
NSW and NZ Administration Charge	46,580	59,366
Sundry Income and Expense (Net)	5,005	(58)
	(761,525)	(629,765)
TOTAL ADMINISTRATIVE EXPENSES AND NON-OPERATING INCOME	(761,525)	(629,765)
SURPLUS	174,546	390,604

CHAPTER CPE RESULTS, NET OTHER EXPENSES AND CHAPTER SURPLUS

FOR THE YEAR ENDED 31 DECEMBER 2005

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

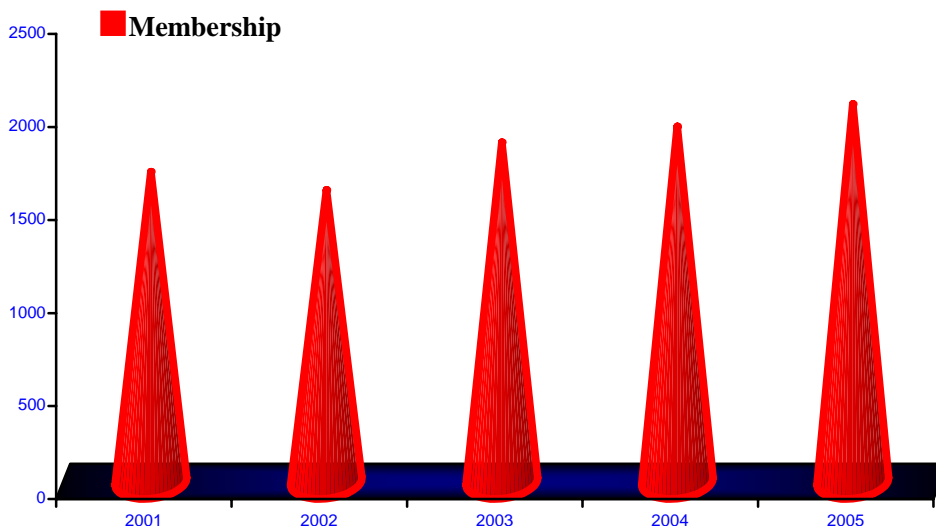
ACTIVITY	QLD \$	NSW \$	CNB \$	VIC \$	TAS &	SA \$	WA \$
CPE Income	84,353	246,686	82,732	90,533	17,573	28,093	53,256
CPE Expenditure	(60,634)	(146,335)	(37,645)	(60,595)	(13,270)	(12,104)	(35,394)
CPE Net	23,719	100,321	45,087	29,938	4,303	15,989	17,862
Others Net	4,644	(8,607)	(5,253)	(2,223)	(475)	(3,153)	(3,130)
Surplus	28,363	91,714	39,834	27,715	3,828	12,836	14,732

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 as at 31 May each year



As at 31 December 2005 The Institute had 2473 Members

FIVE YEAR COMPARATIVE PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

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

	2005	2004	2003	2002	2001
	\$	\$	\$	\$	\$
Operating Income and Expenditure					
Membership Subscriptions	478,179	447,437	396,354	368,580	346,348
Members' Services	(94,853)	(87,360)	(123,516)	(114,133)	(110,214)
Continuing Professional Education	462,772	632,220	363,176	265,519	276,065
Certified Internal Auditor	122,556	45,023	27,338	62,604	10,243
Sponsorship	0	5,727	0	1,803	(247)
Other Programs	(32,583)	(22,683)	2,649	1,795	3331
	<u>936,071</u>	<u>1,020,364</u>	<u>666,001</u>	<u>586,168</u>	<u>525,526</u>
Administrative Expenses & Non-operating Income					
Board and Communications	(157,903)	(143,362)	(113,784)	(83,815)	(66,999)
Personnel Expenses	(554,789)	(463,452)	(409,388)	(386,413)	(383,079)
Occupancy Expenses	(103,060)	(97,501)	(90,197)	(92,854)	(103,196)
Corporate & Finance expenses	(6,452)	22,795	19,024	12,814	17,076
Non-operating Income	60,679	51,760	21,219	26,594	31,527
	<u>(761,525)</u>	<u>(629,760)</u>	<u>(573,126)</u>	<u>(523,674)</u>	<u>(504,671)</u>
Surplus	<u>174,546</u>	<u>390,604</u>	<u>92,875</u>	<u>62,494</u>	<u>20,855</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.

SOPAC 2005

