

Institute of Internal Auditors – Australia

# Annual Report

## 2014



## PRESIDENT'S REPORT



Last year I outlined our focus (and our reasoning) on lifting the recognition of internal auditing as a profession in its own right here in Australia. This objective alone continues to generate a number of strategies and actions across the full canvas of our activities: advocacy; relationship building; profile building; communications; professional development offerings; member services and more. As my time as President draws to a close, I have been delighted with the advances that we have continued to make towards growing our recognition and status. This Annual Report provides further insights into the busy year that 2014 was for IIA-Australia.

Operationally, much has been done through our CEO, Peter Jones, and his terrific team. I will leave Peter to outline that work for you. I will however, take a moment to pass on the Board's recognition of the continued growth of the Graduate Certificate in Internal Auditing. This has been an undertaking of magnitude, with the hard work of a number of years bearing fruit as the course matures and establishes itself as part of the higher education landscape. This activity is highly regulated, and the work of the IIA-Australia staff and the Education Committee to assure both quality and compliance deserves special commendation.

The Board would also like recognise the fantastic and energetic work being done across the nation by the Chapters. High performing Chapters are an essential component of our Institute, and the commitment and initiative coming through the Chapters is fantastic.

On the governance front, the Board has maintained its strong focus on getting the basics well built, and on consolidating our financial position. The results are pleasing.

The Board's Committees continue to operate very effectively, and to provide a sound framework of both oversight and guidance for the Institute's activities. These Committees are very busy, and are a vital part of our governance arrangements. I would like to offer sincere thanks to all of those who have served on our Audit & Risk Committee; Nominations Committee; Remuneration Committee, and Education Committee. I would also like to publicly express my thanks to our two Vice Presidents for their energy and sage advice.

This year the Members elected to rotate our external audit provider, from Watkins Coffey Martin to UHY Haines Norton. This was done purely for good governance reasons, and we express our sincere thanks for the exemplary services and advice from our outgoing auditors, Watkins Coffey Martin, and in particular to Mr Rick Watkins.

As part of our ongoing evolution, our Nominations Committee has spent considerable time and effort reviewing and refining our nominations and elections processes at all levels, and a working group is currently engaged on examining options for election processes at the Board level.

To help us steer our future endeavours, in 2014 we obtained detailed member feedback via a substantial member survey process. This has provided us with refined insights into how we can better serve the wide range of member needs and interests.

And to conclude on a very exciting note, we have been successful in obtaining the right to host the IIA's 2017 International Conference, which will be held in Sydney. This is a massive event, and another mammoth undertaking. In addition to the many and varied benefits and value that this will provide for our Australian members, it will also add an extra plank to our endeavours for recognition of our profession here in Australia, which takes me back to where I began this message to you.

There is much to do in 2015, and I believe that IIA-Australia is well positioned for another year of growth, and achievement as your professional advocate and representative body.

Stephen Horne  
President and Chairman of the Board

## CEO'S MESSAGE



The mission of IIA-Australia is to advance the profession and practice of internal auditing. Our vision is for internal audit professionals to be universally recognised as indispensable to effective governance, risk management and control for the public good.

2014 was a good year for IIA-Australia as it worked through its strategic plan which covers six dimensions: membership, professionalism, advocacy, governance, finances, and people.

**Membership:** We acted on research conducted by Beaton Research & Consulting to identify the value propositions that applied to IIA-Australia members. The survey was completed by more than 20 percent of IIA-Australia members and analysis of the results identified four broad member segments, each with distinct wants and needs. We subsequently tailored our products and services and these are now being promoted to members according to their specific requirements. In 2014 we saw an improvement in our member retention rate and in overall performance by IIA-Australia from 2012 when members last participated in the Beaton Benchmarks Associations survey.

**Professionalism:** Our objective is to develop high-performing internal audit professionals that are indispensable to their organisations. In 2014, 31 members completed the Certified Internal Auditor<sup>®</sup> qualification and 36 graduated with the Graduate Certificate in Internal Auditing. A further 18 completed specialised Certification courses. Our overall numbers of new applications for the CIA<sup>®</sup> and Graduate Certificate increased over 2013. SOPAC<sup>®</sup> was held in Melbourne and attracted over 700 delegates and sponsors of whom 150 were international delegates. We also conducted a string of successful conferences. These included the Public Sector Conference, the Local Government Forum, the Financial Services Forum, conferences in WA and SA.

**Advocacy:** Our positioning of the profession was strengthened with the adoption by the ASX Corporate Governance Council of recommendation 7.3 in March 2014 which

acknowledges the important role that internal audit plays in managing risk by stating that a listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

In 2014 we collaborated with the Australian Institute of Company Directors (Victorian Division) to trial the Audit and Risk Committee (ARC) Forum on day one of SOPAC<sup>®</sup>. The Forum was a great success and delegates were able to benefit from SOPAC keynote addresses before being informed about the many ways to employ internal auditors to best effect. The ARC Forum provided an ideal opportunity to positively raise the profile of professional internal auditing to this key stakeholder group.

**Governance:** IIA-Australia successfully negotiated a Master Relationship Agreement (MRA) with IIA-Global. The MRA clearly delineates responsibilities of IIA-Global and IIA-Australia as we work together to achieve our respective objectives.

**Finances:** Our financial position is significantly stronger after posting a \$463K operating profit. This was achieved by carefully containing costs and through increased revenue growth, particularly in external quality assessments and SOPAC<sup>®</sup>. We achieved our cash reserves target of \$1.15m in December.

**People:** Our objective is to build a team of professional staff and volunteers to achieve our mission. We supported the development of Chapter Councillors in order to maximise regional activity and this proved particularly effective in the ACT, NSW and in Queensland. The contribution of volunteers in all regions was recognised by special end of year events.

Finally, I would like to thank all of the members of the Board for their support and confidence in me and I would particularly like to acknowledge the excellent work of my small team of hard working staff.

A handwritten signature in black ink, appearing to read 'Peter Jones', written over a thin, light-colored line that forms a large, stylized shape.

Peter Jones  
Chief Executive Officer

## CHAPTER COUNCILS AND IIA-AUSTRALIA STAFF WORKING TOGETHER: SUMMARY OF ACTIVITY

### Chapter Activities

All Chapter Councils were active throughout 2014 delivering member events (Members Meetings, Young IIA, Financial Services Special Interest Group, Audit Executive Network) and being involved in the promotion of and advocacy for the profession.

A sample of the member events include the *Role of the Audit & Risk Committee Chair*; *Business data breaches and celebrity iCloud hacking scandals*; *Role of internal audit in reducing fraud*; a joint meeting with ISACA on *Social Engineering*; *Risk Management across Government (Queensland)*; *the personal and professional characteristics needed by Internal Auditors in business and government*. Over 1900 members and guests attended member events.

Advocacy and promotion activities were often supported by the presence of the IIA-Australia CEO. Various meetings were held including with the NSW Auditor-General, Tasmanian Auditor-General, the CEO of the Tasmanian Integrity Commission, officials from the Australian Department of Finance, and groups of Chief Audit Executives. One particularly successful promotion activity was participation in the open day for students at the University of Tasmania.

### Membership

Membership in 2014 saw a slow but upward trend towards the 3,000 mark with the 2014 membership peaking at 2827. This included 416 new members.

A considerable amount of valuable research was undertaken (the IIA-Australia/Beaton Value Proposition Study) to further understand the membership base and to aid in the formation of an innovative strategy for membership growth and retention. The improvements in growth and retention, whilst small are starting to reflect the rolling-out of this strategy which includes a marked change in communications and marketing to IIA-Australia stakeholders and an increasingly targeted communications, events, and CPE program which reflects the segmentation of the membership base.

### Member recognition

The Bob McDonald 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. In 2014 the award was presented to David Lawler PFIIA CIA by the President.



L to R: Dave Lawler, Stephen Horne

### Communication

Communication with members and other stakeholders was co-ordinated through the Marketing Department. Regular e-updates kept readers informed on technical and professional matters and, events and other CPE related activities. Many members continued to opt for the provision of the *Internal Auditor* in hard copy. A conference mobile application was successfully trialled at the Financial Services Internal Audit Conference in November 2014. The social media audience for IIA-Australia communications increased by over 100%.

The IIA-Australia received media coverage during the year, most notably in the *Australian Financial Review* and *Company Director*.

### Advocacy

During the year the IIA-Australia provided submissions on various technical matters to APRA, ASIC, AUASB and NSW Treasury.

Submissions are included on the website when conditions allow.

Work with the ASX Corporate Governance Council saw the launch of the third edition of the *ASX Corporate Governance Council Guidelines and Recommendations* for listed entities. Specifically, the new recommendation 7.3 was the highlight for the IIA-Australia. The Recommendation states that *"A listed entity should disclose if it has an internal audit function, how the function is structured and what role it performs; or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes."*

Not only is internal audit acknowledged as providing an important governance function, its linkage to providing effective risk management and internal control processes is recognised. This is a significant development for the profession and brings the Australian market in line with international developments.

As a founding member of the ASX Corporate Governance Council in 2002, this recommendation is the culmination of many years of lobbying by IIA-Australia, particularly during 2013. Importantly for members, its inclusion as a recommendation serves to elevate the profession of internal auditing across Australia. The ASX CGC Guidelines and Recommendations came into effect on Tuesday, 1 July 2014.

### Technical Resources

In mid-year the IIA-Australia launched a technical assistance service called IAassist to:

- Answer technical questions related to internal audit, risk management and governance;
- Provide Members with expert technical information based on our experience, networks and best practices;
- Make practical information and research available to Members;
- Provide Members with tools and templates that can be effectively implemented in their Internal Audit functions.

For the six months from July to December 2014, IAassist answered 75 queries.

The website contains valuable information for members including the latest practice guides,

templates, useful links and a software directory.

In March the IIA-Australia/Protiviti Benchmarking Survey was launched at SOPAC. This was the sixth year of the survey *Achieving High Performance in Internal Audit* and surveyed Audit Committee Chairs and Members from organisations across the listed, unlisted, government and not for profit sectors, for their insights.

### Quality & Consulting

The IIA-Australia has been proactively developing Quality-related tools and templates into a Quality Toolkit which is freely available on the IIA-Australia website. It has been accessed by many people seeking to implement or improve the Quality Assurance and Improvement Programs for their Internal Audit functions.

During 2014, technical experts from the IIA-Australia provided independent Quality Assessment and consulting services to 20 corporate and public sector organisations.

### Education

The IIA-Australia's education program which encompasses local and global qualifications and certifications provides excellent pathways for internal auditors at all career stages.

The globally recognised Certified Internal Auditor<sup>®</sup> and specialty certifications remained very popular for members who wished to receive recognition for their knowledge and commitment to internal auditing and who also wanted the acknowledgment internationally. In 2014, 162 new CIA applications were received and an impressive 258 exams sat.

The following table shows the number of people who received a certification in 2014:

Certification Name	Certified in 2014
Certified Internal Auditor <sup>®</sup> (CIA <sup>®</sup> )	31
Certification in Risk Management Assurance <sup>™</sup> (CRMA <sup>™</sup> )	11
Certified Financial Services Auditor <sup>™</sup> (CFS <sup>™</sup> )	3
Certification in Control Self Assessment <sup>™</sup> (CCSA <sup>™</sup> )	2
Certified Government Auditing Professional <sup>™</sup> (CGAP <sup>™</sup> )	2

In 2014 The IIA introduced the *Qualification in Internal Audit Leadership (QIAL)*. Designed for aspiring leaders, and audit executives looking to add credibility to their current leadership role with stakeholders and peers the QIAL helps to build and enhance skills to further establish credibility as a leader of the future. The first two Australian recipients of the QIAL are Gregory D. Hollyman PFIIA CIA CCSA CFSA CGAP CRMA QIAL and Aldrin Charles Sequeira FIIA(Aust) QIAL.

The Graduate Certificate in Internal Auditing (GradCertIA) is IIA-Australia's four-module, online accredited postgraduate professional education program. It is aimed for those seeking establish or further a career in internal audit. Every Australian state and territory has been represented by graduates since the inception of the GradCertIA in 2012. A total of 36 students graduated in 2014.

There are two GradCertIA excellence awards presented each year. The GradCertIA Best Overall Excellence Award, proudly sponsored by Westpac Banking Corporation, is awarded to the student who excelled across all four modules of the GradCertIA throughout their study. The inaugural award was presented to *Bree Hogan*. The GradCertIA Achievement Award, proudly sponsored by Insurance Australia Group acknowledges a student who has shown the greatest improvement over their course of study. The inaugural award was presented to *Sheila Bulandran*.

### **Professional Development**

In 2014 IIA-Australia delivered 53 public training courses, including a soft skills public training course specifically tailored for the Internal Audit profession, to a total of 430 participants. This meant 6,029 CPE hours for formal, short courses for the year. Across the cities where IIA-Australia delivers training-- Sydney, Melbourne, Brisbane, Canberra, Perth & Adelaide--Sydney achieved the highest number of attendees with 208 participants.

Highly rated in evaluations, eight in-house programs were delivered across the year resulting in a total of 13 training days. The delivery of a five day in-house fraud prevention program to the Financial and Development Supervisory Board of the Republic of Indonesia was a particular highlight.

The 2014 conference program included eight conferences including SOPAC® and two new conferences, the Audit & Risk Committee

Forum and the SOPAC® Highlights Conference. They attracted over 1200 delegates and delivered over 15,000 CPE hours.

Members were involved in the development of the content of the conference programs through the various focus groups in 2014 which were co-ordinated by the Professional Development Manager.

### **Sponsorship and Relationship Management**

IIA-Australia is focussed on growing its sponsorship program and building relationships with like-minded organisations which share its commitment to the internal audit profession.

In 2014, IIA-Australia received both financial contributions and in-kind sponsorship. Financial contributions were largely directed to SOPAC® and other conferences. In-kind sponsorship was achieved through firms providing the venue and catering for members meetings and interest groups. In-kind professional services provided by consulting firm, Protiviti, resulted in the production of the joint IIA-Australia/Protiviti Benchmarking Survey.

### **Regional and Global Representation**

As part of advocating the value of the internal auditing profession, promoting best practice and contributing to the global profession, the IIA-Australia is represented

- in the Asian Confederation of Institutes of Internal Auditors, a confederation of 18 IIA affiliates in the Asia Pacific region
- on the IIA International Board of Directors
- on the following IIA Global Committees, which produce guidance for the profession.
  - Committee of Research and Education Advisors
  - Global Ethics Committee
  - International Internal Audit Standards Board
  - Institute Relations Committee
  - Professional Certification (Professional Certifications Board and the Exam Development Committee)
  - Professional Issues Committee
  - Public Sector Committee

## DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2014.

The names of each person who has been a director during the year and to the date of this report are:

### Directors in Office

David Barry PFIIA CRMA

Catherine Blunt PFIIA CIA

Stephen Coates PFIIA CIA CGAP CRMA\*

Len Gainsford PMIIA CRMA

Claire Hamilton PMIIA

Mark Harrison PMIIA CIA CRMA

Stephen Horne PFIIA CIA CGAP CRMA

Lee Sullivan PMIIA

Bruce Turner PFIIA CGAP CRMA

\* *Appointed 14 May 2014*

### Resigned Directors

Robin Low MIIA(Aust) \*\*

\*\* *Retired 14 May 2014*

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

### Company Secretary

The position of Company Secretary was held by Ms Julie Young throughout the financial year.

### Principal Activities

The principal activities of the Institute of Internal Auditors - Australia (IIA-Australia) in the course of the year were the provision of education and training to members, potential members and the broader business community and the provision of member services. The strategic focus of the IIA-Australia is to enhance and support the professional careers of its members and to promote the role of internal audit for the public good. There were no significant changes in the nature of those activities during the year.

### Operating Results

The IIA-Australia produced a surplus for the year ended 31 December 2014 of \$462,756 (2013 surplus: \$311,162).



## Review of Operations

The total operating revenue of the IIA-Australia increased by 7% in 2014 compared to the previous year.

The major factors contributing to this result were:

- An increase in continuing professional education revenue of 5%. This was due to increases in the number of certification program applications and exams and an increase in public and in-house training programs.
- An increase in Quality Assessment revenue of 48%. This was due to a marked increase in the number of successful proposals for QA work from the previous year.
- Increase revenue from conferences due to higher attendance at SOPAC 2014 in Melbourne compared to SOPAC 2013 in Brisbane.

Expenditures for the year were correspondingly up for continuing professional education and in Quality Assessments reflecting the increase in activity in both areas. Efforts were made to recover bad debts going back to 2011 and, despite some success, these debts have been written off.

The results also show a loss on the disposal of Trademarks. This was due to the necessary transition from the CMIIA<sup>®</sup> (Certified Member Institute Internal Auditors – Australia) designation (to which the trademark valuation originally applied) to the new PMIIA<sup>®</sup> (Professional Member Institute Internal Auditors – Australia) designation that was launched in mid-2014.

The Board's focus has been to see a continued improvement in the financial position of IIA-Australia in 2014, while at the same time continuing to develop and strengthen the status and profile of the profession.

### Significant Changes in State of Affairs

The first students of the Graduate Certificate in Internal Audit graduated in February 2014. This was a major milestone for the program.

After a period of lengthy negotiations, IIA-Australia entered into a Master Relationship Agreement (MRA) with The IIA, Inc. The MRA replaced all previous agreements covering the promotion and support of the certifications program, global training agreements, the Audit Executive Center, magazine subscriptions, fees, etc. There are compliance obligations on both parties to the Agreement. The MRA provides a framework for The IIA, Inc. to manage the activities of all Institutes globally. The MRA took effect on 1 January 2015.

A new on-line member initiative called IAAssist was launched to provide members with a point of contact when confronted with technical or other complex work related activities. Prompt support is provided by a pool of experienced practitioners and technicians who are paid on a casual and hourly basis.

At the beginning of 2013 the IIA-Australia entered into an agreement with The IIA, Inc. to provide a Line of Credit (LOC) of \$US300,000. As a result of IIA-Australia's improved financial performance, no amount of the LOC has been drawn down. It is the Board's intention to see the LOC lapse when it expires in January 2016.



## **After Balance Date Events**

There are no matters or circumstances that have arisen since the end of the financial year which would significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## **Future Developments**

The IIA-Australia expects to maintain its present operations along with delivery of the Graduate Certificate of Internal Auditing and the continued transition of members to the new professional designation.

## **Environmental Issues**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The IIA-Australia will continue to focus on environmentally sustainable operations.

## **Dividends Paid or Recommended**

As a not for profit company limited by guarantee, the IIA-Australia is prohibited from paying a dividend and none was paid.

## **Indemnifying Officers**

During the financial year, the company has maintained insurance coverage for 'Directors and Officers Liability' as part of its association liability insurance. This policy provides cover for Directors and Officers of the IIA-Australia to the extent permitted by the Corporations Act 2001.

## **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 36.

## BOARD INFORMATION

### Attendance at Directors' Meetings

In 2014 attendance by Directors (including when represented by alternates) at meetings they were entitled to attend, was as follows:

Director	Board		Executive		Audit		Remuneration		Nominations		Education	
	A	E	A	E	A	E	A	E	A	E	A	E
David Barry* PFIIA CRMA	7	8	40	45			3	3				
Catherine Blunt* PFIIA CIA	7	8					3	3				
Stephen Coates* PFIIA CIA CGAP CRMA	3	4										
Len Gainsford PMIIA CRMA	8	8									5	5
Claire Hamilton* PMIIA	8	8			3	3						
Mark Harrison PMIIA CIA CRMA	7	8							6	6		
Stephen Horne PFIIA CIA CGAP CRMA	6	8	42	45			3	3	5	6		
Robin Low** MIIA(Aust)	2	4										
Lee Sullivan PMIIA	7	8	41	45								
Bruce Turner* PFIIA CGAP CRMA	7	8			3	3						
<b>Co-opted Committee Members:</b>												
Ian Rodin MIIA(Aust)					3	3						
Suzy Stamatoniakos PMIIA CIA CRMA					2	2						
Linda Veronese PMIIA					1	2						
Stefano Giorgini PMIIA CRMA									6	6		
Elma von Wielligh-Louw PMIIA CIA CGAP									4	5		
Barry Munns PFIIA									6	6		
Tracey Lawrance PFIIA									2	3		
Stephen Helberg PMIIA									5	6	4	5
Philomena Leung MIIA(Aust)											5	5
Suresh Cuganesan AMIIA											5	5
Joseph Christopher MIIA(Aust)											4	5
Dominic Soh MIIA(Aust)											4	4
Andrea Cummings MIIA(Aust)											2	3
Tania Stegemann PFIIA CIA CCSA											3	5
Julie Young – Company Secretary	8	8			3	3			6	6		

\*Appointed/Re-appointed 14 May 2014

\*\*Retired 14 May 2014

A = Attended

E = Eligible

## The Board

The Board is responsible for the stewardship and future wellbeing of the IIA-Australia. The Board exercises leadership, enterprise, integrity and judgment in directing the IIA-Australia to ensure its continuing ability to serve its members as the pre-eminent body of internal audit professionals. The Board pursues and applies a high standard of corporate governance. The Board will always act in the best interests of the IIA-Australia and in a transparent, accountable and responsible manner.

In discharging their Board responsibilities each Director has a duty to act in the best interests of the IIA-Australia as a whole, irrespective of personal, professional, commercial or other interests, loyalties or affiliations.

Under the Constitution of the company, Directors are elected by members at the AGM of the company, from recommendations made by the Nominations Committee as described in clause 13.4 of the Constitution.

Appointments are for a period normally of two years, with entitlement to re-appointment. Directors' appointments are staggered so that not all Directors' terms expire at the same time.

There can be up to thirteen Non-Executive Directors, with the final number decided by the Board. The Executive Officer of the company performed the functions of the Company Secretary. The Board elects its office holders of President and Vice President based on the guidelines prepared by the Nominations Committee.

Directors do not receive remuneration for acting in the capacity of Director nor do they receive retirement benefits. Directors are entitled to reimbursement of expenses incurred in carrying out their duties, in particular travel and accommodation.

### **Stephen Horne** PFIIA CIA CGAP CRMA FCIS BBus Grad Cert Mgt Comm *President*

Stephen is Principal, Checks Balances and Integrity. He joined the NSW public sector in 1978, pursuing a pathway in organisational review and improvement, leading to his appointment as an Assistant Auditor-General for NSW in 2004. From 2006-2015 Stephen was chief executive of IAB, a Government Trading Enterprise that successfully competes against the private sector as an outsourced provider of a wide range of improvement services including internal audit, management consulting and misconduct investigations to State, Local and Commonwealth Government bodies in NSW and the ACT. Stephen is a founding member of the Corruption Prevention Network (1994). He is also the author of widely distributed and highly regarded better-practice publications on fraud control and public sector governance. He has been a Member of the IIA-Australia since 1984 being active in the NSW Chapter and nationally as a Co-Chair of a number of SOPACs before joining the National Board in 2009. Stephen chairs the IIA-Australia Executive Committee and the Remuneration Committee and, is a member of the Nominations Committee.

### **Lee Sullivan** PMIIA BCom MBA(Exec) ANZIIF(Fellow) CA *Vice President*

Lee is the Group General Manager – Internal Audit, Insurance Australia Group Limited. Lee is a financial services industry participant and has experience working with Australian and overseas corporate and financial service regulators. He has been a member of IIA-Australia since 2007. Lee is a member of the IIA-Australia Executive Committee. Other roles include being a member of the IIA-Australia policy committee; a presenter at SOPAC and other IIA-Australia events; a member of the CAE Service steering committee.

### **David Barry** PFIIA CRMA BEc CA GAICD *Vice President*

David is Director, Internal Audit, AMP Limited. He is an experienced assurance professional with over 25 years industry experience focused around assurance services, risk management and finance. For the past 18 years David has specialised in the provision of audit assurance within the finance industry where he has taken several leadership roles in promoting the benefits of internal audit. He has been a member of the IIA-Australia since 1993 and an active supporter and advocate through various roles such as Co-Chair of the



2012 SOPAC; host of several Chief Audit Executive forums; presenter at financial services forums and member of the CAE Service steering committee. David is a member of the IIA-Australia Executive Committee and of the IIA-Australia Remuneration Committee.

**Catherine Blunt** PFIIA CIA BCom MBA CPA CISA

Catherine has extensive experience in internal and external audit, risk management, probity audit and operational reviews. Catherine is a Principal with O'Connor Marsden & Associates and is a member of the University of Sunshine Coast Audit and Risk Committee. She has been a member of the IIA-Australia since 1995 and joined the Board in 2008, after eight years on the IIA-Australia Queensland Chapter Council. Catherine is a member of the IIA-Australia Remuneration Committee. She is a Director on the IIA Global Board, Chair of the IIA Global Audit Committee and member of the Professional Certifications Board.

**Stephen Coates\*** PFIIA CIA CGAP CRMA BCom(Acc) CSQAM JP(Qual)

Stephen has significant IT assurance & advisory experience specialising in new technology innovations and routine information technology governance risk and control, and he has been involved in major IT advisory, security and forensic projects. Stephen is a Principal with Moore Stephens Queensland. He previously worked at BDO and Gold Coast City Council. He has been a member of IIA-Australia since 1983; has been co-chair SOPAC 2013 and has presented at conferences and member meetings. He is member of the IIA Global Professional Issues Committee.

\*Appointed 14 May 2014

**Dr Len Gainsford** PMIIA CRMA B Econ Qld MBA DBA Macq GAICD Hon FACI FAIM

Len Gainsford is Principal, Len Gainsford and Associates, specialising in audit, risk and assurance advisory services. Len has 27 years' experience working at Senior Executive/Partner level in the Public Sector and Accounting Profession. He has been a member of IIA-Australia since 2005 and a member of the Education Committee since 2010. Len has made various presentations at SOPAC, CAE Forums, Public Sector Conferences, Chapter meetings and Webinars. Len was the Director Audit and Assurance at the Victorian Department of Transport, Planning and Local Infrastructure from 2005 to 2014. Previously he spent 22 years in chartered accounting, including 16 years as a partner at PwC in Sydney and Melbourne and at KPMG in Melbourne. Len chaired the Transport Ticketing Authority Audit Committee and the Transport Safety Victoria Audit Committee. He is Adjunct Research Fellow in the Faculty of Business and Law at Swinburne University of Technology and an Associate Supervisor for Doctoral and Master's level candidates.

**Claire Hamilton** PMIIA BA(Hons) CA(ICAEW) GAICD

Claire is General Manager Risk & Assurance AusNet Services and is an experienced and well respected internal audit practitioner with an extremely broad knowledge of Internal Audit, Governance, Risk and Compliance areas. She has over 16 years' experience in the utilities sector in audit, accountancy and risk management. Prior to entering the utilities industry she worked in large accounting firms in both the UK and Australia across a range of sectors including manufacturing, retail and local government. Claire became a member of the IIA-Australia in 2005 and has been an active supporter since this time and is a member of the IIA-Australia Audit & Risk Committee.

**Mark Harrison** PMIIA CIA CRMA BBus CA

Mark is Managing Director (Canberra), Protiviti and is a respected member of the internal audit community in Australia, particularly in the ACT. He has had extensive experience with the Australian public sector. He has a strategic mindset and experience in working with a number of member-based organisations. He is a passionate advocate of the profession of internal audit. Mark has been a member of the IIA-Australia since 2001 and has served on both Canberra and NSW Chapter Councils. He was co-chair of SOPAC 2013; Chair, Public Sector Conference 2008+; member of IIA-Australia Policy and Technical committees; member of the Nominations Committee. Mark also serves as Deputy Chair, Board of Southern NSW Local Health District.

**Robin Low\*\*** MIIA(Aust) BCom FCA GAICD

Robin is a non-executive director of Appen Limited, Austbrokers Holdings Limited, CSG Limited and IPH Limited. She is also a member of the Auditing and Assurance Standards Board, treasurer of the Sydney Medical School Foundation and a director of Public Education Foundation and Primary Ethics. Robin was previously the Internal Audit Services Leader PwC Australia and was a member of the PwC global internal audit leadership team. She delivered internal audit to a wide range of organisations and has experience in



dealing with boards of listed companies and board audit committees. She has worked in the financial services sector predominantly, including global/multi-national internal audit delivery. Over many years Robin has been an active supporter of the IIA-Australia and became a member in 2008. She has been a regular presenter at IIA-Australia conferences and is co-chair SOPAC 2015.

*\*\*Retired 14 May 2014*

**Bruce Turner** PFIIA CGAP CRMA CISA CFE MAICD FIPA FFin FAIM

Bruce currently is the Chair of several audit committees including that of IIA-Australia, and has occupied a number of major CAE roles, including at the ATO. Bruce has an established track record of excellence and achievement in both the leadership and performance of internal audit activities. He has been a member of IIA-Australia since 1984, has hosted member meetings, contributed to publications and presented at conferences. He is a Bob McDonald Award winner. Internationally, Bruce is the chair of the IIA Public Sector Committee.

### **Chief Executive Officer**

**Peter Jones** RFD FGIA BBus(Mgt) Dip Personnel & Resource Mgt psc (r)

Peter joined the Institute of Internal Auditors - Australia as its CEO in April 2013. Peter was employed by the professional services firm Arthur Andersen for 11 years in the mid-eighties and nineties. Since then he has spent most of his time in senior roles within industry and professional membership associations, most notably with the Securities Institute of Australia, then Finsia and the Actuaries Institute. He was a Colonel (now retired) with the Australian Army.

### **Company Secretary**

**Julie Young** FSAE BA MLib(Management)

Julie is the Executive Officer with the IIA-Australia, a position concerned with the governance of the organization. She has had extensive experience in the not-for-profit sector as either an employee or director.

## **Work Undertaken by the Board**

### **Meetings and Committees**

The Board had two scheduled face-to-face meetings and four teleconferences during the year. Other meetings occur by teleconference as and when required.

### **Board Committees**

**Executive:** Stephen Horne PFIIA CIA CGAP CRMA, Lee Sullivan PMIIA, Dave Barry PFIIA CRMA, Peter Jones

The Board Executive Committee is a leadership and administrative body, whose role is to assist and advise the Board of Directors in fulfilling its responsibilities to members of IIA-Australia. The Board Executive Committee is not a policy making body, but assists the Board by implementing Board policy. Its primary function is to oversee the implementation of Board/IIA-Australia policy between full board meetings.

**Audit & Risk:** Bruce Turner PFIIA CGAP CRMA, Claire Hamilton PMIIA, Ian Rodin MIIA(Aust), Suzy Stamatoniakos<sup>\*</sup> PMIIA CIA CRMA, Linda Veronese<sup>\*</sup> PMIIA

*\*Appointed 14 May 2014*

The Audit & Risk Committee assists the Board with its responsibilities for corporate governance by monitoring that the appropriate mechanisms exist to review probity, governance, risk management and the efficiency and effectiveness of the IIA-Australia's systems, controls and operations. Internal audit findings are reported to the Audit & Risk Committee and the CEO.



**Remuneration:** David Barry PFIIA CRMA, Catherine Blunt PFIIA CIA, Stephen Horne PFIIA CIA CGAP CRMA

The role of the Remuneration Committee is to assist and advise the Board of Directors in fulfilling its responsibilities to members of IIA-Australia on matters relating to the consideration of benefits, bonuses, incentives and remuneration issues of the CEO and IIA-Australia staff. The Remuneration Committee is not a policy making body, but assists the Board by implementing Board policy.

**Nominations:** Elma von Wielligh-Louw\*\* PMIIA CIA CGAP, Stefano Giorgini PMIIA CRMA, Stephen Helberg PMIIA, Tracey Lawrance\* PFIIA, Barry Munns PFIIA, Stephen Horne\* PFIIA CIA CGAP CRMA, Mark Harrison PMIIA CIA. The Committee has the right to co-opt others to assist.

*\*Appointed 14 May 2014 \*\*Retired 1 October 2014*

The role of the Nomination Committee is to assist and advise the Board of Directors in fulfilling its responsibilities to members of IIA-Australia on matters relating to the composition, structure and operation of the Board. The Nomination Committee is not a policy making body, but assists the Board by implementing Board policy and recommending nominations which require Board approval.

**Education:** Professor Philomena Leung, Associate Dean International & Corporate Engagement and Professor of Accounting, Macquarie University; Dr Joseph Christopher Lecturer, School of Accounting, Curtin Business School, Curtin University; Dr Leonard Gainsford, Principal, Len Gainsford and Associates and Research Fellow at The Centre for Enterprise Performance, Swinburne University of Technology; Stephen Helberg\*, Partner, KordaMentha; Tania Stegemann Executive Audit Manager, Leighton Holdings Ltd; Dr Suresh Cuganesan Professor of Organisational Control and Performance; Academic Director, The John Grill Centre for Project Leadership; Dominic Soh\*\* Lecturer, Macquarie University; Andrea Cummings\*\*\* Vice President Internal Audit, Bluescope. All committee members are members of the IIA-Australia.

*\*Retired 31 March 2014 \*\*Appointed 14 May 2014 January 2013 \*\*\*Appointed 5 June 2014*

The role of the Education Committee is to assist the Board in discharging its responsibilities by monitoring and advising on IIA-Australia's professional education program. It contributes to the IIA-Australia's strategic purpose through its foresight and insight on educational matters of concern to the internal auditing profession. One of its main responsibilities is to act as an Academic Board with respect to the academic oversight of the Graduate Certificate in Internal Auditing, including assessment of students and the approval of results.

## 2020 Vision

The IIA-Australia continues with its vigorous program to achieve its strategic vision for 2020. Our goals by 2020 are that:

- Internal Audit will be seen as essential to the performance and sustainability of any organisation.
- Internal Audit will be universally recognised as a distinct profession.
- All practising internal auditors will be appropriately qualified or report to someone who is.

These are important aspirations that will ensure internal audit and our worthy profession become absolutely integral to sound corporate governance. We will get there by:

- Continuing to offer our members the best in professional education and training programs.
- Taking an active advocacy role to ensure our key stakeholders including government, regulators, businesses and the broader community, appreciate, support and promote the important role of internal audit.

### **Communications with members**

The IIA-Australia issues regular email alerts to members. Members also received The *Internal Auditor* bi-monthly – either in hard copy or online. In addition the IIA-Australia is present in the social networking space in order to provide a convenient and easy way for members to network and share ideas.

### **Ethical Standards**

The IIA-Australia has a comprehensive code of ethics to which Directors, as members of the IIA-Australia, 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. IIA-Australia has a Statement of Business Ethics for third party suppliers.

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



Stephen Horne PFIIA CIA CGAP CRMA

President and Chairman of the Board

**26 March 2015**

**Statement of Comprehensive Income for the Year Ended  
31 December 2014**

	Note	2014 \$	2013 \$
<b>Revenue from operating activities</b>			
Subscriptions revenue		1,408,177	1,355,570
Continuing professional education		2,420,703	2,313,321
Internal audit quality assessment		293,814	198,950
Other activities		93,895	69,691
<b>Total revenue from operating activities</b>		4,216,589	3,937,532
<b>Revenue from non-operating activities</b>			
Interest		27,750	16,699
<b>Total revenue from ordinary activities</b>		4,244,339	3,954,231
Provision for bad debts	4	-	(8,039)
Bad debts	4	(18,939)	-
Continuing professional education		(1,478,635)	(1,429,191)
Depreciation of Property, plant & equipment	7	(49,591)	(37,366)
Amortisation of Intangible	8	(172,732)	(165,435)
Internal audit quality assessment		(214,724)	(128,366)
Operating lease rental expense	11	(171,386)	(195,320)
Salaries and personnel costs		(1,128,565)	(1,172,772)
Administrative expenses		(219,914)	(275,180)
Other expenses from ordinary activities		(285,303)	(231,400)
Loss on Disposal of Trademarks	8	(41,794)	-
<b>Total expenses from ordinary activities</b>		(3,781,583)	(3,643,069)
Surplus/(deficit) from ordinary activities before income tax		462,756	311,162
Income tax expense		-	-
Net surplus/(deficit) from ordinary activities after income tax expense		462,756	311,162
Other Comprehensive Income for the year		-	-
<b>Total Comprehensive income/(loss) for the year</b>		462,756	311,162

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

**Statement of Financial Position as at  
31 DECEMBER 2014**

	Note	2014 \$	2013 Restated*
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	3	1,290,299	633,982
Trade and Other Receivables	4	213,269	249,530
Inventories		12,765	26,360
Prepayments and Other	5	<u>361,673</u>	<u>232,558</u>
<b>TOTAL CURRENT ASSETS</b>		<u>1,878,006</u>	<u>1,142,430</u>
<b>NON CURRENT ASSETS</b>			
Financial Assets	6	216,098	96,963
Plant and Equipment	7	51,860	100,310
Intangibles	8	<u>440,041</u>	<u>612,274</u>
<b>TOTAL NON CURRENT ASSETS</b>		<u>707,999</u>	<u>809,547</u>
<b>TOTAL ASSETS</b>		<u>2,586,005</u>	<u>1,951,977</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	9	309,775	329,279
Employee Entitlement Provisions	10	81,847	68,406
Deferred Income		<u>1,421,669</u>	<u>1,244,334</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,813,291</u>	<u>1,642,019</u>
<b>TOTAL LIABILITIES</b>		<u>1,813,291</u>	<u>1,642,019</u>
<b>NET ASSETS</b>		<u>772,714</u>	<u>309,958</u>
<b>MEMBERS FUNDS (EQUITY)</b>		<u>772,714</u>	<u>309,958</u>

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

*\* Please refer to Note 1 (s) for more information regarding restatement.*

**Statement of Changes in Equity for the Year Ended  
31 December 2014**

	<b>Members Funds \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 January 2013</b>	53,323	53,323
Correction of prior period error*	(54,527)	(54,527)
<b>Restated balance at 1<sup>st</sup> January 2013</b>	<u>(1,204)</u>	<u>(1,204)</u>
Surplus for the year	311,162	311,162
Other Comprehensive Income for the year	-	-
Total Comprehensive Income for the year	311,162	311,162
<b>Balance at 31 December 2013</b>	<u>309,958</u>	<u>309,958</u>
Balance at 1 January 2014	309,958	309,958
Surplus for the year	462,756	462,756
Other Comprehensive Income for the year	-	-
Total Comprehensive Income for the year	462,756	462,756
<b>Balance at 31 December 2014</b>	<u><u>772,714</u></u>	<u><u>772,714</u></u>

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

*\* Please refer to Note 1 (s) for more information regarding restatement.*

## Statement of Cash Flows for the Year Ended 31 December 2014

	Note	2014 \$ Inflows (Outflows)	2013 \$ Inflows (Outflows)
<b>Cash Flow from Operating Activities</b>			
Receipts from subscriptions		1,548,995	1,491,127
Receipts from Conferences and other activities		3,299,416	2,717,242
Payments to suppliers and employees		(4,058,766)	(3,854,300)
Interest received		29,241	21,316
Net cash provided by operating activities	12	818,886	375,385
<b>Cash Flow From Investing Activities</b>			
Purchases of plant and equipment		(1,141)	-
Purchase of Intangible Asset		(42,293)	(81,943)
Investment in Term deposit		(119,135)	-
Net cash used in investing activities		(162,569)	(81,943)
<b>Cash Flow From Financing Activities</b>			
		-	-
<b>Net Increase in Cash Held</b>			
		656,317	293,442
Cash at the beginning of the financial year		633,982	340,540
<b>Cash at the End of the Financial Year</b>	3	1,290,299	633,982

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

## CORPORATE INFORMATION

The financial report of the company for the year ended 31 December 2014 was authorised for issue in accordance with the resolution of the Directors on 26 March 2015.

### Note 1: Statement of Significant Accounting Policies

The financial report is for The Institute of Internal Auditors-Australia (IIA-Australia) which is a company incorporated and domiciled in Australia. The Institute of Internal Auditors-Australia is a company limited by guarantee. It is classified as a Not for Profit Entity.

#### Basis of preparation

- (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.
- Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.
  - A statement of compliance with International Financial Reporting Standards, issued by the International Accounting Standards Board cannot be made due to the application of not-for-profit specific requirements contained in Australian Accounting Standards.
  - The financial report has been prepared on an accrual basis and is based on historical costs, modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Critical accounting estimates

- (b) The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

##### (i) Estimation of useful lives of assets

The IIA-Australia determines the estimated useful lives and related charges for depreciation and amortisation of its property, plant and equipment and finite life intangible assets annually. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated useful lives, or where technically obsolete or non-strategic assets that have been abandoned or sold are written off or written down. Similarly, the charge will decrease where the useful lives are more than the previously estimated useful lives.

#### New, revised or amending Accounting Standards and Interpretations adopted

- (c) The IIA-Australia has adopted all of the new, revised or amending Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Australian Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Australian Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Institute.



The following Australian Accounting Standards and Interpretations are most relevant to the Institute:

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13:*

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of AASB 13 is broad and it applies for both financial and non-financial items for which other Australian Accounting Standards require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

*AASB 136 Impairment of Assets:*

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2014. This standard requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired. Where an asset is impaired the amount of the impairment is charged to profit or loss.

**New Accounting Standards issued but not yet effective and not early adopted**

(d) Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Institute for the annual reporting period ended 31 December 2014. Directors have assessed the impact of all new or amended standards (to the extent relevant to the Institute) and concluded that these standards and interpretations will not have any financial impact on the amounts recognised in the financial statements. The following standards were assessed:

- AASB 9 Financial Instruments and its consequential amendments;
- AASB 2014-1 Amendments to Australian Accounting Standards (parts A & C); and
- AASB 2014-4 Amendments to Australian Accounting Standards – clarification of acceptable methods of depreciation and amortisation.

**Inventories**

(e) Inventories, which represent publications, are measured at the lower of cost and net realisable value. 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**

(f) Each class of property, plant and equipment is carried at cost, less, accumulated depreciation.

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.

The depreciable amount of all fixed assets is depreciated on a straight line basis over the useful lives of the assets, commencing from the time the asset is held ready for use. The major depreciation periods used for each class of asset:

- Furniture 4-5 years
- Office fittings 10 years
- Computers & software 3-4 years

Assets with an acquisition cost of less than \$500 are expensed in the year of acquisition.

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

## Intangibles

- (g) Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation. Intangible assets with finite lives are amortised over their useful life and are assessed for impairment if there is an indication that the asset may have impaired. Intangible assets with infinite useful life are subjected to impairment testing at each reporting date.

The amortisation period for the database which was installed ready for use in December 2010 has been assessed as 7 years.

The amortisation period for costs associated with attaining initial registration as a higher education institution and development of the "*Graduate Certificate in Internal Auditing*" has been assessed as five years being the duration of the initial registration. The directors are confident that the registration for the Graduate Certificate will be renewed for further time period upon expiry in 2016.

## Impairment of assets

- (h) At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

Where it is not possible to estimate the recoverable amount of an asset class, the entity estimates the recoverable amount of the cash-generating unit to which the class of asset belongs.

## Leases

- (i) Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are accounted for as expenses on a straight line basis over the lease term. The incentives associated with operating leases are recognised as a reduction to rental expenses over the lease term on a straight line basis unless another systematic basis is representative of the benefits of the leased asset over time. Commitments for future years are disclosed by way of note. The IIA-Australia has no finance leases.

## Employee entitlements

- (j) Provision is made for the IIA-Australia's liability for employee benefits arising from services rendered by employees to balance date. Employee entitlements have been provided for at balance date at an amount that is not less than the net present value of all entitlements including on costs.

## Financial instruments

- (k) Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments. The IIA-Australia's principle financial instruments are comprised of receivables and cash.

Trade receivables are recognised and carried at original invoice amount less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is recognised when there is objective evidence that the IIA-Australia will not be able to collect the receivable. Individual debts which are known to be uncollectible are written off when identified.

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of 6 months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above and include short term money securities and deposits at call which are readily convertible to cash in hand and subject to an insignificant risk of changes in value.



Financial Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the IIA-Australia. Payables are normally settled when they fall due and no interest is incurred on these liabilities.

### Revenue Recognition

- (l) Membership subscription revenue is recognised pro-rata over a 12 month period based on the member's anniversary date. Only those membership fees that are attributable to the current financial year are recognised as revenue. Receipts that relate to future periods are treated as deferred income.

Revenue from the provision of other services is recognised upon the delivery of the service to the member. Receipts received before year end in relation to provision of services in future are treated as deferred revenue. Subscriptions and professional development fees relating to the 2015 year but received prior to 31 December 2014 are carried forward in the Balance Sheet as deferred income.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### Research and Advocacy contributions

- (m) Research and Advocacy Contributions are shown as a current liability on the Balance Sheet. Payments from this account must be used to support research and/or advocacy of the profession of internal auditing and may be expended over a number of years. The current balance of this account is \$6,188.

### Income tax liability

- (n) The IIA-Australia calculates its tax liability by reference to the application of the principle of mutuality. The mutuality principle is a principle arising from case law, on the premise that an organisation cannot derive income from itself. Consequently, dealings between an organisation and its members are regarded as mutual dealings. Therefore, receipts generated from mutual dealings are not subject to income tax. Similarly, any expenses incurred in relation to mutual dealings are not tax deductible. Income and expenses not associated with mutual dealings are classified in accordance with income tax legislation. The IIA-Australia is liable for other taxes including fringe benefits tax.

### Goods and Services Tax (GST)

- (o) All revenue, expenses and assets are stated net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and Payables in the Balance Sheet are shown inclusive of GST. Cash Flow statement is prepared on GST inclusive basis.

### Economic dependence

- (p) The IIA-Australia is dependent on Institute of Internal Auditors Inc. (IIA Inc.) for the provision of the international certification program, the provision of course materials for some of the professional development courses provided in Australia, and the provision of some material for the CAE Services program. At the date of this report the Board of Directors has no reason to believe that IIA Inc. will not continue to provide those services.
- (q) In January 2013, the IIA-Australia entered into a non-revocable revolving line of credit with The IIA Inc. The maximum amount available to the IIA-Australia is USD\$300,000 with a maturity period of 36 months. The IIA-Australia has not accessed any funds from this line of credit.

### Comparative figures

- (r) Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation.

## Prior period errors

- (s) The analysis of operating lease for national office premises revealed inconsistency in application of accounting standards at the inception of the lease term. The incentives such as rent-free period and contribution by the lessor towards the office fit-out costs were not taken into account for lease liability calculation over the lease term. As a result, the opening balances for the Asset, Liabilities and Equity accounts impacted have now been restated in accordance with *AASB 108: Accounting policies changes in accounting estimates and errors*. The opening balances for following line items in the Statement of Financial Position for year ended 2014 have been impacted by this correction.

Account Name	Balance at 1 <sup>st</sup> January 2013	Amount of correction	Restated Balance at 1 <sup>st</sup> January 2013	Balance at 31 <sup>st</sup> December 2013	Amount of correction	Restated Balance at 31 <sup>st</sup> December 2013
Plant & Equipment	\$73,380	\$64,296	\$137,676	\$36,014	\$64,296	\$100,310
Trade and other payables	\$182,748	\$118,823	\$301,571	\$210,456	\$118,823	\$329,279
Retained Earnings	\$53,323	(\$54,527)	(\$1,204)	\$364,485	(\$54,527)	\$309,958

## Note 2: Legal and Economic Entity

- (a) The IIA-Australia is a company limited by guarantee; accordingly it has no share capital. If the entity is wound up the Constitution states that each member may be required to make a contribution to the assets of the IIA-Australia. This contribution may not exceed the amount of fees and subscription unpaid by the member.
- (b) The IIA-Australia is licensed under the Corporations Act 2001 to omit the word 'Limited' from its name. It is an individual economic entity, without subsidiaries.
- (c) The IIA-Australia has an agreement with The IIA Inc., incorporated in the USA, for the provision of stipulated goods and services in return for the payment of affiliation fees. Members of the IIA-Australia are also members of The IIA Inc.
- (d) The IIA-Australia's registered office (which is its only place of business) is at Level 7, 133 Castlereagh Street, Sydney, NSW. Its operations and principal activities are set out elsewhere in this Financial Report. The average number of employees during the year was eleven.

## Note 3: Cash and Cash Equivalents

	2014	2013
	\$	\$
Cash at bank and cash equivalents (a)	1,290,299	633,982

- (a) The IIA-Australia's cash equivalents are cash held on deposit with a maturity of less than six months.

#### Note 4: Trade and Other Receivables

	2014	2013
	\$	\$
Trade Receivables	213,269	257,569
Provision for Doubtful Debts	-	(8,039)
	213,269	249,530
	213,269	249,530

- (a) All other current debts are expected to be paid within credit terms. Bad Debts amounting to \$27K have been written off during the year ended 31 December 2014. No Bad Debts were written off during FY2013.

#### Note 5: Financial Assets

	2014	2013
	\$	\$
General Event Prepayments	296,237	182,122
Prepaid Insurance	20,923	15,226
Other Prepayments	44,513	35,210
	361,673	232,558
	361,673	232,558

#### Note 6: Financial Assets Held to Maturity

	2014	2013
	\$	\$
Term Deposits	216,098	96,963
	216,098	96,963
	216,098	96,963

#### Note 7: Plant and Equipment

	Plant and equipment		Furniture and fittings		Software		Leasehold		Total plant and equipment	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost	197,729	197,729	63,337	63,337	128,041	126,900	65,793	65,793	454,901	453,760
Accumulated depreciation	(190,084)	(174,993)	(58,715)	(56,102)	(127,157)	(121,122)	(27,084)	(1,234)	(403,041)	(353,450)
Total plant & equip at written down value	7,645	22,736	4,622	7,236	884	5,778	38,709	64,559	51,860	100,310

Movement in the carrying amounts of each class of asset between the beginning and the end of the current financial year.

	Plant and equipment		Furniture and fittings		Software		Leasehold		Total plant and equipment	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of the year	22,736	40,854	7,236	10,705	5,778	21,425	64,559	64,691	100,310	137,676
Additions	-	-	-	-	1,141	-	-	-	1,141	-
Disposals/transfer	-	-	-	-	-	-	-	-	-	-
Depreciation expense	(15,091)	(18,118)	(2,614)	(3,469)	(6,035)	(15,647)	(25,850)	(132)	(49,591)	(37,366)
Carrying amount at the end of year	7,645	22,736	4,622	7,236	884	5,778	38,709	64,559	51,860	100,310

	2014	2013
	\$	\$
Database at cost	546,370	504,077
Graduate Certificate in Internal Auditing at cost	427,525	427,525
Trademark at cost	-	52,110
Less Accumulated Amortisation	(533,854)	(371,438)
	440,041	612,274
	440,041	612,274

### Reconciliation

	Aptify Database		Graduate Certificate		Trademarks		Total Intangibles	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of the year	292,454	335,335	274,225	309,223	45,595	51,211	612,274	695,768
Additions	42,293	30,000	-	51,941	-	-	42,293	81,941
Disposals/transfer	-	(899)	-	-	(41,794)	899	(41,794)	-
Amortisation expense	(78,570)	(71,981)	(90,361)	(86,939)	(3,801)	(6,515)	(172,732)	(165,435)
Carrying value at the end of year	256,176	292,454	183,865	274,225	-	45,595	440,041	612,274

- (a) The costs associated with the establishment of Trademarks for CMIIA and CFIIA designations in 2011, were initially recognised as an intangible asset. The useful life of the trademarks was assessed to be 10 years. In August 2014, the Board of IIA-Australia resolved to replace CMIIA and CFIIA with PMIIA and PFIIA respectively. As a result, it was established that no future economic benefits were expected from these trademarks. Subsequently, the trademarks were disposed of and a loss on disposal, up to the carrying value of the intangible, was attributed to profit and loss.

**Note 9: Trade and Other Payables**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	54,695	35,155
Other creditors	85,460	107,849
Accrued expenses	87,770	58,764
Lease Liability	75,662	118,823
Research foundation	6,188	8,688
	<u>309,775</u>	<u>329,279</u>

Accrued expenses include a provision of \$16K, for restoration of leased premises for national office upon expiry, as per lease agreement.

**Lease Liability**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current Liability	49,328	43,161
Non-Current Liability	26,334	75,662
	<u>75,662</u>	<u>118,823</u>

**Note 10: Employee Entitlement Provisions**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of year	68,406	133,947
Additions to provision	32,206	27,556
Leave taken during the year	(18,765)	(93,097)
Balance at the end of year	<u>81,847</u>	<u>68,406</u>

**Analysis of employee entitlement provision**

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Current provision	81,847	68,406
Non-current provision	-	-
	<u>81,847</u>	<u>68,406</u>

All current leave entitlements are expected to be consumed within 12 months.

## Note 11: Leasing Commitments

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

	2014	2013
	\$	\$
No longer than one year	145,052	202,820
Longer than one year but not longer than five years	74,045	304,230
Longer than five years	-	-
	<u>219,097</u>	<u>507,050</u>

The current office premises have been leased for a period of 10 years. This lease will expire in June 2016.

## Note 12: Cash Flows Reconciliation

(a) Reconciliation of net cash flow provided by operating activities to operating (deficit)/surplus:

	2014	2013
	\$	\$
Net surplus from ordinary activities	462,756	311,162
Non cash flow from ordinary activities:		
Depreciation	49,591	37,366
Amortisation	172,732	165,435
Loss on Disposal of Trademarks	41,794	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	36,261	(99,086)
(Increase) in prepayments	(129,115)	(28,266)
Decrease/(increase) in inventory	13,595	(5,663)
(Decrease)/increase in provision for employee entitlements	13,441	(65,541)
(Decrease)/increase in trade and other payables	(19,504)	27,708
Increase in deferred revenue	177,335	32,270
Cash flow from operating activities	<u>818,886</u>	<u>375,385</u>

## Reconciliation of cash

(b) 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 six months. 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.

## Note 13: Related Party Transactions

- (a) Key management personnel consist of all Directors, the Chief Executive Officer and the senior management team.

The following table provides details of related party transactions that were entered into with Director-related entities for the relevant year. All transactions with related parties are made on terms that are considered reasonable if the parties were dealing at 'arm's length'.

Director	Director-Related Entity	Transaction Details	2014	2013
Bruce Turner	Bruce Turner & Associates	Facilitation of training courses and quality assessments of an internal audit function	\$43,980	-
Cathy Blunt	O'Connor Marsden & Associates	Facilitation of training courses and quality assessments of an internal audit function	\$12,300	-

No other Directors received any form of remuneration.

Training course facilitators and reviewers for quality assessments of internal audit functions are selected based on their qualifications, in-depth knowledge and internal audit experience gained in senior positions over many years. They were paid at the standard rate similar to what would have been paid to an unrelated party for similar services.

The IIA-Australia also entered into related party transactions with The Institute of Internal Auditors, Inc. (IIA Global). The IIA Global provides various members' related services to IIA-Australia. The cumulative total of payments made by IIA-Australia to IIA Global for related party transactions is \$247K in 2014 and \$256K in 2013.

- (b) The names of all Directors who have held office during the financial year are outlined in the table of 'Board Information' on page 4 of this Directors Report.

## Compensation Practices

The Remuneration Committee of the Board of Directors approves the compensation including bonuses for all staff and provides recommendations to the Board for CEO's remuneration. Below table provides aggregate amounts of remuneration paid to CEO and senior management personnel for the relevant year.

	2014	2013
<b>Compensation by category</b>	<b>\$</b>	<b>\$</b>
Short term employee benefits	590,959	540,572
Other long term benefits	25,290	19,445
	<u>616,249</u>	<u>560,017</u>

## Note 14: Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by UHY Haines Norton (2013: Watkins Coffey Martin), the auditor of the Institute:

	2014	2013
	\$	\$
Audit services – UHY Haines Norton		
Audit of the financial statements	20,500	-
Other audit related services	-	-
Audit services – Watkins Coffey Martin		
Audit of the financial statements	-	20,200
Other audit related services	-	-
Total	<u>20,500</u>	<u>20,200</u>

## Note 15: Financial Instruments

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This may be whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. At balance date the Institute had no investment holdings (2013: Nil) with exposure to market risk.

### Net fair values

- (b) The carrying amount of bank deposits, prepayments, accounts payable and accounts receivable approximate net fair values. The carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet in the notes to the Financial Statements.

### Credit risk

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

The IIA-Australia does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the IIA-Australia.

### Interest rate risk

- a) The IIA-Australia'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	
	2014 %	2013 %	2014 \$	2013 \$	2014 \$	2013 \$
Cash at bank	0.03	0.21	110,316	119,381	-	-
Deposits at call	2.32	3.43	1,179,983	514,601	-	-
Term deposits	3.63	3.85	-	-	216,098	96,963
Total financial assets			1,290,299	633,982	216,098	96,963



Term deposits held by the IIA-Australia are in support of bank guarantee, required by the lessor for the lease of premises for national office. The impact of fluctuations in interest rates applicable to these term deposits, on interest revenue is not considered to be material. Therefore, a disclosure for sensitivity analysis of movements in interest rates is not pertinent.

#### **Note 16: Segment Reporting**

The company operates wholly within one segment as a professional association within Australia.

#### **Note 17: Events after Balance Date**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the result of those operations or the state of affairs of the entity in subsequent financial years.

#### **Note 18: Contingent Liabilities**

There are no contingent liabilities as at 31 December 2014.

## Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001:
  - (a) comply with Australian Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the entity.
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.

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



Stephen Horne PFIIA CIA CGAP CRMA

President and Chairman of the Board

**26 March 2015**



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS - AUSTRALIA**

We have audited the accompanying financial report of the Institute of Internal Auditors-Australia ("Institute"), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### **Directors' Responsibility for the Financial Report**

The Directors of the Institute are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

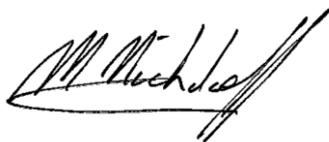
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### **Opinion**

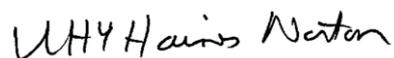
In our opinion the financial report of the Institute of Internal Auditors - Australia is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Institute's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



**Mark Nicholaeff**  
**Partner**  
Sydney  
Signed on 26 March 2015



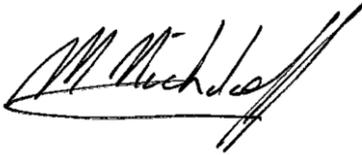
**UHY Haines Norton**  
**Chartered Accountants**

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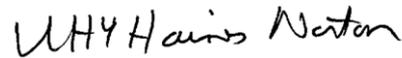
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF THE INSTITUTE OF INTERNAL AUDITORS - AUSTRALIA**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2014, 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.



**Mark Nicholaeff UHY**  
Partner  
Sydney  
Signed on 26 March 2015



**Haines Norton**  
Chartered Accountants

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## Honour Roll

Without the commitment of volunteers, IIA-Australia could not have achieved what it did in 2014. We are proud to honour the following volunteers. We also thank our sponsors, exhibitors and other contributors throughout the year.

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Gary Anderson PMIIA CIA	Protiviti
Damian Angley PFIIA CIA CGAP	Department for Transport, Energy & Infrastructure
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Chris Bennecke PMIIA CIA CRMA	Invokeare
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Keith Peel	Retired
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Krish Pitchumani CRMA	Retired
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Christopher Puschak PMIIA CIA CGAP	Protiviti Pty Ltd
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Sushil Ramrakha PMIIA CIA	TAL
Raamkummar Rangaswamy PMIIA CIA	Department for Communities and Social Inclusion
Isaac Razunguzwa	Department of Transport and Main Roads
Ken Robertson	Mission Australia
Ian Rodin	Ernst & Young
Peter Roebuck	University of New South Wales
Sean Rooney	PwC
Leizel Samuel PMIIA CIA	Queensland Health
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Tom Wilson	Singtel Optus
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Petr Zuzanek PMIIA CIA	IAG Limited
Zuzana Zuzankova PMIIA CIA	AMP Services Limited

Please accept our apologies if we omitted you from the 2014 list, or if your details are incorrect.



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