Our most successful Conference to date!

Over 700 delegates came together in Ottawa October 5-8 to participate in the 7th Annual Canadian National Conference. With an array of exceptional speakers, networking activities, and more than 25 exhibitors, there was something for everyone.

On Sunday, a sold-out event of 95 Chief Audit Executives and Audit Committee members focused on reputational risk of organizations and as speaker Jaime Watts expressed, “What happens when bad things happen to good organizations?” Over 30 Audit Committee members extended their stay to attend the regular sessions on Monday. This was the first time AC members were specifically invited to an IIA Canada conference and several said they would be back for the next one.

The theme of the Conference was “Rising to new challenges” and the importance of leadership in internal auditing was heard time and again from the general session speakers. Rick Hillier, former Chief of Defence, opened the conference with a powerful message that everyone needs to be a leader, ready to step up when there is a void or a need. Larry Harrington, VP Internal Audit at Raytheon, encouraged attendees to get more active in their profession and drive the profession by thinking outside the box. Honorary Conference Chairman Carman Lapointe, Under-Secretary-General for the United Nations Internal Oversight Services, spoke on raising the bar. And Richard Chambers, IIA President and CEO, provided practical advice based on his lessons learned on the audit trail.

Attendees could choose from more than 45 concurrent sessions, providing a vast array of break-through thinking, best practices, and ideas to keep internal auditors on the leading edge of the profession.

Kudos to the conference team on “rising to new challenges” in putting together an outstanding program and delivering on expectations!

In July next year, IIA Canada will host The IIA’s International Conference in Vancouver, where over 2,000 delegates from around the world are expected to converge. In 2016, the Canadian National Conference will return in Halifax. Plan now to attend these unique events.
Dear Members,

It is with great pleasure that I take over as IIA Canada (IIAC) Chairman. I am extremely privileged to work with and lead such a tremendous group of leaders from across the country.

Last year in Winnipeg, leaders from the National and Chapter levels worked together to develop the first Strategic Plan for IIAC. In so doing, we committed to some important and ambitious strategic goals:

- IIAC will be an optimal institute focusing on unique Canadian issues;
- IIAC will be the authoritative voice for internal auditing in Canada and will raise the profession’s profile to key stakeholders;
- IIAC will be the institute of choice for Canadians for learning and development in internal auditing, governance, risk and control;
- IIA Global, National and Chapter leaders will work as a unified community to bring the best value to our members; and,
- IIAC will be financially sustainable with an appropriate funding model to carry out strategic initiatives.

Since then, thanks to the hard work and passion of our volunteers and our staff, we have accomplished an enormous amount, building IIA Canada and generating value for our members. Of note are the great advancements we’ve made in advocating for our profession. In addition to the publication of Canadian thought leadership, we have built strong relationships with government stakeholders, with the Canadian community of corporate directors (through the Institute of Corporate Directors and the Directors College) and with other significant players such as CPA Canada. As well, our education team has made great strides in developing and customizing Canadian educational content. The extraordinary success of our most recent national conference in Ottawa is a testament to the value of coming together to network and develop as a Canadian community. Lastly, we have put in place a number of internal processes to support good governance and management.

But our work is not yet done! On Saturday, October 4, National and Chapter leaders met again – this time in Ottawa – to revisit our strategic plan and to discuss priorities for the coming year. While specific operational plans are being finalized, our directions for this year include the following:

- To continue to build an optimal institute and a unified IIA community that is financially sound, we will finalize the IIA Canada business management framework, defining the Canadian business model and service delivery mechanisms in support of excellent service to our members.
- To advance our advocacy efforts, we will continue to invest in thought leadership and expand the scope of our outreach to include the financial sector;
- To support the professional development of our members, we are in the design stages of the Canadian Centre for Government Auditing and are investing in leadership development programming for Canadian internal auditors.

All of these priorities are complex and require hard work on the part of volunteers and staff at the local, national and global levels. Yet, while complexity is high, so also is the value that will come from these investments. I am confident that we have the right momentum and the right team to make it happen!
What challenges and opportunities will the Internal Audit (IA) profession face in 2020? Let’s start with some current trends.

**Enhancing capabilities to meet increasing and changing expectations**

Leadership and boards are constantly recognizing the value that Internal Audit can provide. They want more proactive business insight and consulting support. Those Internal Audit leaders already acting as the trusted strategic advisor are being asked to attend many decision-making discussions. These IA leaders are balancing business knowledge, risk assessment, assurance, future oriented business insight, and well-honed communication skills to influence leadership and the board. In 2020 IA leaders will continuously manage an inventory of capabilities required to meet expectations. This will include an internal staff with well thought out training programs, external partners who bring expert knowledge in high value areas, and a network of peers who are willing to share best practices. Of course it will also include an active membership with The IIA to help continuously improve all of the above.

**Transition from reactive to proactive and agile risk management governance**

The world is not only seeing new risk drivers everyday, the risk universe is constantly changing as well. The most obvious example is technology. For example, mobile devices, social media, and the cloud have introduced new risks that are changing constantly. IT risk management accountability is now owned by every employee not just IT. Cyber security risk is an evolving moving target that will always be a high priority going forward. Other examples of potential material risk categories are fraud, third parties, and business resilience. For many years the Boy Scouts motto has been “Be Prepared”, well today this also requires agility because no one can predict exactly what the risk will look like when it hits.

For example, imagine you have a deck of cards, each with a potential unique risk. Is your agility strong enough to deal with every what-if scenario based on randomly picking five cards that all happened at the same time? We have all recently read stories of natural disasters with power outage, technology failure, third party service interruption, and employees unable to make it to work. Calgary experienced this with the floods in June of 2013. We live in an uncertain world where those who invest smartly in preparation will preserve and optimize their shareholder value over time.

**A material leadership change as baby boomers retire**

The obvious impact of this will be an enormous amount of knowledge walking out the door. How well are companies preparing for this change? Are they also thinking about the changes that may not be as obvious? For example, many of these leaders have been with companies and industries for their entire career of forty years or more. Today most people will work for multiple different companies and possibly industries in their lifetime. So will the successors of the baby boomers have the same depth of knowledge, experience or loyalty as their predecessors? If an individual has dealt with managing multiple real life risk situations in a business for over forty years they are probably better skilled at risk management than they give themselves credit for. If a similar risk hits today this person would be able to react very quickly with intuitive knowledge.

I would also ask current leaders, many of whom are baby boomers, what are you doing to invest in an integrated risk management program to preserve and optimize shareholder value when they retire? Is it realistic to expect new leaders to manage all risk well? Also will these leaders remain shareholders after they retire and therefore require successors to manage risk well and grow the share price?

I too seem to have more questions than answers. However I am certain that the Internal Audit profession can be part of the solution as a trusted strategic advisor to leadership.
Six individuals were honoured during this year’s National Conference in Ottawa for their dedication and contributions to the profession of internal auditing and to The IIA.

**CONTRIBUTION TO THE PROFESSION OF INTERNAL AUDITNG AWARD**
This award is given to individuals who have significantly impacted the practice of internal auditing. The three recipients this year were each instrumental in advancing the profession of internal auditing in the public sector.

**Mr. Brian Aiken**, who retired as Assistant Comptroller General in 2012, led the government internal auditors through the maturing years following approval of the new Policy on Internal Audit, pushing CAE’s and their teams to higher levels, to become truly professional in their services, and be leaders in our departments. His guidance during the government wide economic action plan initiative was particularly notable, delicately balancing assurance with advice to support the government. He also served as a founding member of the Canadian Board, and has served for many years on IIA international committees.

**Mr. Joe Freamo**, currently CAE of the Canadian Food Inspection Agency, has headed four major government departments, is known for developing first-class audit shops, helped found the Canadian Board, and is an active volunteer and speaker. In 2004-2005 while working in the Office of the Comptroller-General, Joe was played a key role behind the scenes writing the new policy on internal audit, ensuring that the process delivered the right outcome for the profession, the government, and the IIA.

**Mr. Charles-Antoine St Jean**, has had a lengthy career with Ernst & Young where he has been the national leader for the public sector specializing in the fields of strategy, governance, risk management, and internal audit. From 2004 to 2007, Charles-Antoine served as the Comptroller-General of the Government of Canada, where he spear-headed the re-write of the Policy on Internal Audit introducing external Audit Committees to government and defining the role, qualifications, and stature of Chief Audit Executives in the government.

**ARTHUR CHILD DISTINGUISHED SERVICE IN CANADA AWARD**
The Distinguished Service Award is given to individuals who have volunteered their time and efforts to The Institute of Internal Auditors and have impacted the Institute through their contributions.

**Mr. Eric Lavoie**, Partner with Lemieux Nolet in Quebec City, has been a dedicated volunteer and supporter at the local, national, and international levels for most of the past 20 years. He has served on the board of the Quebec City chapter, as IIA District Representative and North American Committee member, and as co-chair of the 2009 IIA Canada National Conference. He has also chaired The IIA’s International Committee on Quality and is current chair of IIA Canada’s Emerging Issues Committee. Eric is also a frequent speaker for The IIA and for IIA chapters.
Ms. Brenda Youle, Director of Audit Services for SaskEnergy in Regina, is into her third decade of volunteering for The IIA. Having served as Saskatchewan Chapter president in the early 2000’s, she helped launch the Canadian Council, and has guided recent Canadian national conferences in her role as member and currently co-chair of the Canadian Conference Advisory Board. For the past 10 years, she has also served as a Distinguished Faculty Member for The IIA, leading seminars throughout the US and Canada.

LIFETIME ACHIEVEMENT AWARD
The Lifetime Achievement Award is given to those select individuals who have dedicated their careers to internal auditing and have left an indelible mark on the profession.

Mr. John Fraser, Sr. Vice President Internal Audit at Hydro One, has had a long distinguished professional career with many of Canada’s major corporations resulting in over 50 years’ experience in the risk and internal audit fields! His extracurricular activities are too numerous to list here, but key achievements include:

- In the early 2000’s, co-authoring the publication 20 Questions Directors Should Ask About Internal Audit, and following that up with a second publication on 20 Questions Directors should ask about Risk.
- Serving until recently as Chair of the Conference Board of Canada’s Strategic Risk Council.
- Serving on the faculty of The Directors College and as an adjunct professor at York University’s Schulich School of Business where he teaches courses on enterprise risk management.
- Serving for many years as a Governor of the IIA Toronto Chapter and on the CICA’s Risk Management and Governance Board.

As volunteer, author, and lecturer, as well as the consummate CAE, John has generously dedicated himself to advancing internal audit and risk management.

GIACC and IIA Canada

At its October 5th meeting, the Government Internal Auditors Council of Canada (GIACC) appointed IIA Canada as the new secretariat for the organization. GIACC comprises one internal audit executive from each of the fourteen federal, provincial and territorial jurisdictions.
IIA Canada thanks its sponsors for the National Conference

We would like to thank all of our sponsors and exhibitors who provided attendees with information on the latest tools, technology and thought leadership to keep them abreast of new advances in internal audit practice.

Attendees networked and relaxed after their sessions. At the welcome reception the casino tables were packed with fun-loving auditors demonstrating their skills in assessing risk. The Gala with more than 500 attendees enjoyed a wonderful dinner, live entertainment and dancing.
Significant value is built and eroded though capital projects across industries, sectors and geographies. The ability to manage capital project delivery risk has been a defining capability for successful companies with asset intensive businesses - such as those in the energy, utilities, mining, and construction industries - and for the myriad of federal, provincial and municipal government entities focusing on infrastructure development and refurbishment. The risks associated with major capital projects often hit the enterprise risk radar screen, and there’s an opportunity to boost the level of internal audit focus and expertise when it comes to auditing capital project governance, risk management and controls.

**So what are some of the risks?**
Understanding the profile and context of the underlying risks is essential to establishing any value-focused internal audit program. When it comes to capital projects, there are some very unique risk factors that come into play. Capital projects can represent a significant (in some cases transformational) level of investment for an entity. Organizations undertaking major capital projects must also often meet and sustain complex financial, technical, regulatory, environmental, human capital, commercial and community requirements through the lifecycle of the project.

From a contracting perspective, risks can be derived, shared, managed and elevated from a range of project delivery strategies, including EPCM (Engineering, Procurement and Construction Management), EPC (Engineering, Procurement and Construction), owner self-perform, or a combination of each. Capital projects are notorious for involving a very wide range of stakeholders including investors, boards, governments, regulators, contractors, employees, communities and the many analysts and interest groups that follow projects closely.

When taken as a whole, these complexities and risks can pose fundamental challenges to achieving cost, schedule and quality objectives. As a result, they can have a significant impact on the underlying return on investment, and the strategic success of capital projects.

**How can internal audit support strong project performance?**
Historically, the role of internal audit in many organizations has been more tactical than strategic when it comes to capital projects. But leading practice internal audit functions expand their focus on capital projects to really put their arms around the entire project and to focus on the areas that drive project performance. While the core procurement to payment cycle, financial reporting and regulatory compliance aspects of the project continue to be important, internal audit can really move the needle by getting a comprehensive understanding of the key project risks and by providing assurance over governance, risk management processes and key project operational controls.

*Project governance and risk management:*

Project governance and risk management are critical audit areas that, when assessed early, can be an enabler of strong project performance. Key audit focus areas may include:

- The definition and availability of information to make ongoing operational and strategic decisions throughout the delivery of a capital project. **Internal audit** should evaluate the metrics, reports, quality, timing and accuracy of project information and the underlying data from top to bottom. This includes looking at what has been reported from the workforce up through contractors, project management teams, executive management and the board.

- The definition, assessment and response strategy for key project risks, along with the underlying risk management process that should be operationalized within the day to day project workflow.
Project execution and management processes and controls:

High performing internal audit functions go far beyond just scratching the surface. They perform deep dives into key project management elements, including:

- Project organizational design and human resource management. The scarcity of experienced resources to deliver capital projects is a reality across industries and geographies, and the project human capital plan and resource model is a mission critical audit area where internal audit focus can yield significant benefits.
- Contract management and procurement strategy. Internal audit should assess the strategic alignment and the effectiveness of the processes used to select vendors, develop contracts and procure mission critical components and services.
- The cost and schedule management processes. The related risks are inter-related and controls co-dependent.
- Project scope and change management processes. These are also closely linked, as they can have a dramatic impact on project cost, schedule and quality. The related basket of controls is possibly the most critical for project success, and unfortunately often a common point of failure across projects.

Other areas of focus

Looking beyond these important operational elements of project execution and delivery, internal audit functions are encouraged to broaden their focus on key project risks. Project business systems, regulatory compliance processes, environmental, health and safety management systems, and stakeholder engagement programs should all be considered within the scope of a value-focused capital project internal audit program.

In the past there has been a tendency to explain away capital project failures as being driven by uncontrollable technical problems and issues. However in many cases, the destiny of failed capital projects could have been altered by better informed decisions, stronger project risk management processes and more effective project controls. As the internal audit profession continues its evolution up the strategic ladder, there’s tremendous opportunity for internal audit to engage management and boards in a broader conversation, and to provide an independent and objective perspective on those mission critical elements that can make all the difference to the success of a capital project.

MOU with CPA Canada

On October 1, leaders of IIA Canada and CPA Canada signed a Memorandum of Understanding, which creates a formal basis for cooperation and collaboration through the mutual sharing of knowledge, experience, and best practice. Kevin Dancey, President and CEO of CPA Canada, and Carmen Abela, Canadian Board Chairman, jointly announced the agreement during the 7th Annual Canadian National Conference in Ottawa on October 7th. Both noted the commonality between the two organizations in their focus on governance, risk and control, and the opportunities to collaborate on thought leadership, conferences, and seminars. A work plan will be developed to guide activities in 2015.
As our 7th Annual National conference began two officers were elected to new terms:

- Carmen Abela, Ottawa Chapter, Chairman of the Board
- Jeff Erdman, Vancouver Chapter, Sr. Vice Chairman

Four new Members were elected to our Board Of Directors for the 2014-2015 term:

- Robert Kuling, Calgary Chapter
- Julie Champagne, Ottawa Chapter
- Fern Cyr, Calgary Chapter
- Richard Kennedy, Toronto Chapter

These outstanding individuals join the following members on the Canadian Board for the 2014-2015 Term:

- Sheila Smigarowski, Edmonton Chapter
- Dailene Kells, Saskatchewan Chapter
- Linda Klassen, Saskatchewan Chapter
- Angelina Vavasour, Maritime Chapter
- Brett Naiden, Calgary Chapter
- Jodie Lobana, Toronto Chapter
- Vincent Cartier, Montreal Chapter
- Cindy Kailly-Smith, Vancouver Chapter
IN THE NEWS

CANADIAN RESEARCH PAPERS

This study is built on the Internal Audit Capability Model for the Public Sector, which was developed in 2009 as a joint project between the World Bank and The IIARF. The model was the first of its kind to create measurable capability levels specifically for the public sector, and it was validated globally through on-site feedback from multiple sites.

Unlocking the Power of Internal Audit in the Public Sector, the first research report published by IIA Canada, identifies how internal audit can help government better serve the public at a time when trust in its institutions is strained. It provides strategies for deputy ministers and chief audit executives (CAEs) to maximize the profession’s value and bring its unique attributes.

An excerpt from the upcoming IIARF research report titled Performance Auditing in Major Cities in the United States and Canada. The full report will be available free at www.theiia.org/research in the fourth quarter of 2014.

“\In the legacy of Larry Sawyer’s writings, this book will serve as a guide on internal audit leadership and should be mandatory reading for all college students and anyone looking to accelerate their careers, regardless of their field of study or profession. Richard’s life lessons provide insight into creating positive change within yourself, your department, and company. As he says, ‘You make your own breaks. If you are not willing to try anything new, success might pass you by.’

Larry Harrington, CPA, CIA, CRMA
Vice President, Internal Audit
Raytheon Company

All proceeds of the book go to the IIA Research Foundation.

Book Signing

Richard Chambers, CEO & President of The IIA, had a very successful book signing of his new book, Lessons Learned on the Audit Trail, while in Ottawa.
The IIA’s 2015 International Conference: The World in Our Backyard

If you haven’t already, make plans to attend The IIA’s 2015 International Conference, “Mountains of Change...Oceans of Opportunities”, July 5–8, in Vancouver at the beautiful Vancouver Convention Centre, co-hosted by IIA–Canada.

More than 2,000 conference delegates from more than 100 countries are expected to attend. Learn more about your peers and how they practice internal auditing around the world within the 10 educational tracks being offered. Attendees can earn up to 18 CPEs and more with pre- and post-conference sessions.

World renowned speakers, including Canada’s own Colonel Chris Hadfield, will be headlining keynote sessions.

The IIA’s International Conference was last held in Canada in 1999 and this is the first time it will be held in Western Canada. Registration is now open.

To register or for more information about the conference visit www.ic.globaliia.org/. We hope to see you at the Vancouver Convention Centre in July.

Colonel Chris Hadfield

Astronaut / First Canadian Commander of the International Space Station (2013)

An astronaut of more than two decades with three spaceflights under his belt, Col. Chris Hadfield is a pioneer of many historic Canadian “firsts,” including having been selected as Canada’s first fully qualified Space Shuttle crew member.