Dear members,

In this issue, you will find our upcoming programs for the spring. I hope you will take advantage of the exciting events we have planned for you.

On a personal note, our thoughts go out to the citizens of Japan. Two of our board member are directly impacted by the events unfolding overseas. We ask our members to give generously to the relief efforts. We strongly encourage you and your families to prepare for similar events here on Vancouver Island. That includes emergency preparedness kits and volunteering for earthquake planning.

The devastating events in Japan have reminded me that Internal Audit can provide exceptional leadership in the areas of risk management. While we cannot prepare for all eventualities in our professional lives, internal auditors can increase awareness of risks associated with natural disasters. Strong business continuity plans, reviewed and tested by IA can help organizations reduce the impact of high risk events, whether that be natural or manmade. I encourage you all to increase your ERM awareness, including business continuity planning in your work with your organizations. In our new column – Leader’s Corner – in this issue, our member Steve McNally discusses roles of Internal Audit and ERM.

We are also seeking volunteers for our local chapter for 2011-2012. If you want to help the best chapter in Canada (subjective view), please contact me and I will be happy to mentor possible new board members. Thank you for your continued support!

Best,

Tom Peerless
President,
tpeerless@pragroup.ca
The Great Debate…Continues

Steve McNally, CGA
Director, Audit Services
BC Pension Corporation

Those who attended the IIA Canadian Conference in Vancouver last September will be familiar with the Great Debate topic: Should Internal Audit be responsible for Risk Management?

For many years, internal auditors have been performing risk assessments as a key part of the audit planning process. The emergence of Enterprise Risk Management (ERM) in recent years is seen by some as encroaching on the traditional territory of Internal Audit. Others believe that Internal Audit is uniquely positioned to be able to perform risk assessments.

Surely, our end goal must be to do what is best for the organization and if that means Internal Audit letting go some traditional turf, then so be it. Auditors have for years opined on the need for senior management to set the right “tone at the top”. Therefore, the development of ERM should be seen as an opportunity to demonstrate our commitment to this by encouraging management to accept the proper responsibility for risk management.

Risk management is an integral part of business operations. It can be viewed as a continuum from factoring basic risk information into routine daily business decisions to the formal conduct of detailed risk assessments as part of organization-wide strategic planning. As such, it is a management responsibility. If Internal Audit is responsible for risk management, then by default we are accepting responsibility for a management function. Our independence is lost.

This leads to consideration of the Standards which effectively remove the option of Internal Audit responsibility for risk management.

- Standard 2120 requires Internal Audit to “evaluate the effectiveness and contribute to the improvement of risk management processes”.

- Standard 1100 states “The internal audit activity must be independent, and internal auditors must be objective in performing their work.”

Compliance with these Standards cannot, in my opinion, be achieved if Internal Audit is responsible for risk management.

It has been suggested that independence could be maintained by outsourcing the evaluation of risk management. While that may be possible in some circumstances, the bigger concern has to be one of perception. The perceived lack of independence and objectivity cannot be overcome if Internal Audit retains responsibility for risk management.
At BC Pension Corporation, management (in the form of the Corporate Projects and Planning, or CP&P group) has accepted responsibility for ERM and is actively working to enhance the program with the introduction of a new model based on ISO 31000. Internal Audit has been involved in an advisory capacity in the development of the new model and has similar involvement with the newly established risk oversight committee.

Even though Internal Audit is not responsible for the risk management activity, given the close involvement with the oversight committee, I anticipate outsourcing future evaluations of the ERM program to avoid any perception of bias. I also see the development of the ERM program as an opportunity to leverage the work of the CP&P group for audit planning to ensure that the Plan is aligned with business priorities.

Furthermore, I believe this will facilitate the work of Internal Audit because we will be performing audits based on the risk priorities established by management, rather than by our own evaluation that is always open to the criticism that “Internal Audit does not understand the business”.

Ultimately, I think this comes down to a conflict between the instinct towards self-preservation of Internal Audit’s traditional turf and what is possibly best for the organization. Our responsibility as internal auditors remains to do what is best for the organization.

► Attention all audit leaders ◄

Do you have anything you would like to share with your local IIA members? Is there an audit-related topic so dear to heart? Here is your space!

To contribute to our chapter’s newsletter (plus you also earn CPE hours), please contact me here.
Background: The following section is a summary of selected key results from one of the five reports – Measuring Internal Auditing’s Value – derived from analysis of the responses to the 2010 IIA Global Internal Audit Survey. The report focuses on measuring the value of internal auditing under dynamic business conditions and the key factors contributing to the value delivered by an internal audit activity.

Conceptual Framework for Measuring Internal Auditing’s Value

For more information: Visit IIA’s bookstore website for free downloading of the report [IIA Member Only]
http://www.theiia.org/bookstore/department/new-products-10007.cfm?
Selected Key Results

Most respondents (out of 13,582) believe that their internal audit activities add value to their organizations. Both independency and objectivity are viewed as key factors for internal audit activities to add value.

Whilst most respondents view their internal audit activity as contributing to controls, they do not to the same extent perceive it as contributing to risk management or governance.

The most important factors to be the perceived contribution of the internal audit activity are (1) having appropriate access to the audit committee; (2) functioning without coercion to change a rating assessment or withdraw a finding; and (3) more audit tools or technology used on a typical audit engagement.

Compared to 2006, there appears to be a declining trend in sourcing the internal audit activity from outside the organization. The percentage of co-sourcing or outsourcing of the activity has an impact on its perceived effectiveness, measured in terms of process effectiveness, effective functioning, and sufficient organization status, rather than on the perception of the value added.

The internal audit activity performance methods most frequently used is shown below.

### Ranking of Methods Used to Measure the Performance of Internal Audit Activities — Currently and in Five Years (N=11,853)

<table>
<thead>
<tr>
<th>Methods</th>
<th>Today</th>
<th></th>
<th>In Five Years</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>count</td>
<td>%</td>
<td>count</td>
<td>%</td>
</tr>
<tr>
<td>Percentage of audit plan complete</td>
<td>1,620</td>
<td>13.7</td>
<td>332</td>
<td>2.8</td>
</tr>
<tr>
<td>Recommendations accepted/implemented</td>
<td>1,393</td>
<td>11.8</td>
<td>315</td>
<td>2.7</td>
</tr>
<tr>
<td>Surveys/feedback from the board, audit committee, and/or senior management</td>
<td>1,279</td>
<td>10.8</td>
<td>443</td>
<td>3.7</td>
</tr>
<tr>
<td>Customers/auditee surveys from audited departments</td>
<td>1,075</td>
<td>9.1</td>
<td>443</td>
<td>3.7</td>
</tr>
<tr>
<td>Assurance of sound risk management/internal control</td>
<td>980</td>
<td>8.3</td>
<td>381</td>
<td>3.2</td>
</tr>
<tr>
<td>Reliance by external auditors on the internal audit activity</td>
<td>979</td>
<td>8.3</td>
<td>294</td>
<td>2.5</td>
</tr>
<tr>
<td>Timely closure of audit issues</td>
<td>904</td>
<td>7.6</td>
<td>259</td>
<td>2.3</td>
</tr>
</tbody>
</table>
### Selected Key Results

<table>
<thead>
<tr>
<th>Methods</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Today</td>
</tr>
<tr>
<td>Completion of mandated coverage</td>
<td>830</td>
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<tr>
<td>Number of significant audit findings</td>
<td>782</td>
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<tr>
<td>Budget to actual audit hours</td>
<td>741</td>
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<tr>
<td>Number of management requests for internal audit assurance or consulting projects</td>
<td>692</td>
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<tr>
<td>No formal performance measurement of the internal audit activity</td>
<td>687</td>
</tr>
<tr>
<td>Cost savings/avoidance and improvements from recommendations implemented</td>
<td>678</td>
</tr>
<tr>
<td>Cycle time — report turnaround (end of fieldwork to final report)</td>
<td>603</td>
</tr>
<tr>
<td>Balanced scorecard</td>
<td>491</td>
</tr>
<tr>
<td>Cycle time from entrance conference to draft report</td>
<td>491</td>
</tr>
<tr>
<td>Absence of regulatory or reputation issues and significant failures</td>
<td>451</td>
</tr>
</tbody>
</table>

The balanced scorecard and assurance of sound risk management/ internal control methods are expected to gain importance as internal audit activity performance methods in the coming year.

Regional and industry comparisons regarding the performance measures of the internal audit activity show no significant differences.

The methods used to measure the performance of internal audit activities are associated with their perceived contributions. The more outcome-based methods show a higher correlation with the value statements.

For more information: Visit IIA’s bookstore website for free downloading of the report [IIA Member Only]
http://www.theiia.org/bookstore/department/new-products-10007.cfm?
Update from Interim Canadian Board

History was made on January 1, 2011 when the Interim Canadian Institute was established as a result of the recent overwhelming membership vote to support commencing a transition plan leading to an IIA Institute in Canada. With over 7000 members, IIA Canada will become the third largest IIA Institute and will continue to have a strong voice globally. As outlined in the proposal document, IIA Canada will retain its affiliation with IIA Global and with it, all the benefits of a global organization: ongoing applicability of the International Professional Practices Framework, Certification, and access to a wealth of global resources, guidance and research. Complementing this, as a Canadian Institute, we add a whole host of other benefits: greater control of programming and our finances so we can better serve our members from a Canadian perspective; an enhanced ability to better provide services in both official languages; and a greater ability to advocate on behalf of the interests of Canadian Industry and stakeholders.

Members need to be aware that there is one more step to confirm our support for the Canadian Institute. Between July 1, 2011 and June 30, 2012, Canadian members must commit our membership dues to IIA Canada – doing so will indicate to IIA Global that Canada has the financial capacity to operate successfully in the long-term. Members will be receiving communication about this critical step in the coming weeks and months.

During this two-year interim period, the Council is now acting as the Interim Canadian Board (ICB) of the IIA. Since the approval by our members, the Interim Board has been hard at work. This team of dedicated volunteers representing all regions of the country and supported by volunteer committees, is working feverishly to manage a seamless transition on behalf of our members. At the same time, the ICB continues to build the foundation for an effective, efficient and sustainable professional association by delivering Canadian-oriented services. Some of the highlights of our progress include the following:

1. Implementation of the detailed transition plan aimed at studying and negotiating our new relationship with IIA Global and transforming to an affiliate. The next key step is the membership renewal period July 1, 2011 to June 30, 2012 during which Canadian members must commit their membership dues to IIA Canada. Other areas being intensely studied are technology and service delivery models.

2. Recruitment of an IIA Canada Executive Director. We expect to be able to announce our new leader by mid-April.
3. Initiation of the Strategic Planning process for the IIA in Canada. The vision, mission and strategic directions for IIA Canada are currently being set through collaboration between the national board and chapters with input from key stakeholders. We expect to publish these directions in June of 2011. A full Strategic Plan, covering 2013 to 2018 will be published in December 2012, in time for our launch as a full Institute in January 2013.

4. Ongoing and tireless efforts by the National Education Committee to continue to grow and deliver a Canadian-focused, nationally oriented professional development program, complementing the excellent programs being delivered by Chapters. Innovations this year include the monthly Canadian webinar series, the introduction of an Audit Leadership Event in March 2011, and development of the road show concept (stay tuned!). All this on top of our now twice-yearly seminar programs (very successful March event in Edmonton, June in Halifax).

5. Following a hugely successful National Conference in Vancouver last September, planning is well underway for the upcoming National Conferences in Toronto (September 25-28, 2011) and Montreal (2012). Both events will include another post-conference event for Audit Leaders.

6. Continuing to grow the Canadian Advocacy Strategy with activities aimed at strategically positioning our profession with our key stakeholders. We continue to make inroads with the corporate director and senior management communities, we have provided responses on behalf on the profession to two recent Exposure Drafts (IFAC, CICA), and our Academic Relations efforts are beginning to pay off.

7. We have established a Marketing Committee who are focused on developing IIA Canada’s brand, building national sponsorship programs, and identifying other business opportunities.

Much more is under development, the results of which promise to add considerable value to you, the member. As we move towards these outcomes, we must thank all members for your continued support for this important initiative. We will continue to provide updates as events unfold.

For more information on the Canadian Institute, please see the IIA Canada web site www.iiacanada.ca or contact your local member of the Interim Canadian Board - Jeremy Picco: jeremyp@pragroup.ca or Brian Brown, Chair of the Interim Canadian Board: briangbrown@shaw.ca
# Upcoming Professional Development Programs

## April 21, 2011

**Interviewing and Influencing Skills & The softer side of Internal Controls**

*One-day workshop*

*Lisa Dorian, DorianPowell*

*The Union Club, 8:30am-4:30pm*

## May 16, 2011

**The Tao of Everest**

*The Gentle Art of Personal Inspiration & Practical Leadership*

*Luncheon Presentation*

*Ian Woodall*

## May 27, 2011

**IT Audit in Financial System**

*Luncheon Presentation*

*Blaine Bey, Sierra Systems*

## June 23, 2011

**ANNUAL GENERAL MEETING**

*Join your local IIA board members for lunch, audit presentation and Annual General Meeting at the Union Club*

12:00 – 13:30 Lunch and presentation

13:30 – 14:30 Annual General Meeting

& Election of new board members
NEW TO IIA CERTIFICATIONS?

Why Become Certified?
There are many reasons to obtain an official IIA certification designation. Whether it's the hallmark designation of internal audit – the Certified Internal Auditor® (CIA) designation - or one of our three specialty industry certifications, obtaining a certification is professionalism defined.

Six Steps to Certification
Not sure where to begin? Read through these six steps on how to start off on your trail to certifications with The IIA.

Certification Frequently Asked Questions (FAQs)
Read some of the frequently asked questions we receive about IIA certifications and exams. These valuable questions and answers can also help those auditors looking for a little more information on a specific area.

Important Notice

Dear CIA Candidates,

The IIA recently upgraded its Certification Candidate Management System (CCMS), the Web-based system used to track certification candidates’ progress as they complete the steps needed to become certified and to maintain use of certifications already earned.

In the coming months, the CIA designation will celebrate a major milestone – the awarding of its 100,000 CIA. That person could be you! Click here to read more and find out what “CIA 100,000” will receive.

We look forward to your success on CIA exams.

Stuart Newton
Certification Chair
Stuart.Newton@gov.bc.ca

CIA Candidates
Vancouver Island Chapter
British Columbia
Canada

Click each tile for More Info
Photo Corner – VI IIA Events

Success & Leadership Luncheon Presentation

On Leadership: Chris Trumpy – Chair of Pacific Carbon Trust

On Success: Kathy Santini, Success Coach – Savvy About Success
# IIA Vancouver Island Chapter – Board of Directors for 2010-2011

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Organization</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Tom Peerless, BA, MBA, CMA</td>
<td>PRA Group</td>
<td>(250) 213-1620, <a href="mailto:Tpeerless@pragroup.ca">Tpeerless@pragroup.ca</a></td>
</tr>
<tr>
<td>Vice President</td>
<td>Steve Ward, CA-CIA</td>
<td>bclMC</td>
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<tr>
<td>Treasurer</td>
<td>Teeravit Chintawongvanich, MBA, CMA, CIA</td>
<td>bclMC</td>
<td>(250) 952-7457, <a href="mailto:Teeravit.chintawongvanich@bcimc.com">Teeravit.chintawongvanich@bcimc.com</a></td>
</tr>
<tr>
<td>Secretary</td>
<td>Alina Zutz, BA</td>
<td>PRA Group</td>
<td>(250) 713 5984, <a href="mailto:Alinaz@pragroup.ca">Alinaz@pragroup.ca</a></td>
</tr>
<tr>
<td>Programs</td>
<td>Ovidiu Pescaru, MBA, CIA</td>
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<tr>
<td>Programs</td>
<td>Leslie Watt, BA, MPA</td>
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<tr>
<td>Programs</td>
<td>Tanya Barrett, CMA</td>
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<tr>
<td>Certification</td>
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</tr>
<tr>
<td>Membership</td>
<td>Jackie Bruneau, CA, CIA</td>
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<td>(250) 952-8658, <a href="mailto:Jackie.bruneau@gov.bc.ca">Jackie.bruneau@gov.bc.ca</a></td>
</tr>
<tr>
<td>Webmaster</td>
<td>Mukesh Kashyap, MBA, ISP, ITCP, ITIL</td>
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</tr>
<tr>
<td>Member-at-Large</td>
<td>Tony Graham, MBA, CMA, ACMA, BSc</td>
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<td>(250) 387-8111, <a href="mailto:Anthony.graham@gov.bc.ca">Anthony.graham@gov.bc.ca</a></td>
</tr>
<tr>
<td>Newsletter</td>
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<td>BC Pension Corporation</td>
<td>(250) 387-4280, <a href="mailto:Nijjy.potikanon@pensionsbc.ca">Nijjy.potikanon@pensionsbc.ca</a></td>
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