President’s Message...

Dear Members,

I’m pleased to announce that the Vancouver Island Chapter reached Gold Status with the Institute of Internal Auditors for the fiscal year 2010-2011. That is the 4th straight year (every year since inception) the chapter received that status. So, what does this mean? The Chapter Achievement Program (CAP) is the method used by the IIA to measure how local chapters provide service to its members. The three service categories are: 1) Service to members (primarily education programs for members, meetings and seminars, becoming a new CIA, student activities); 2) Service to profession (give back to IIA through editorial articles, speaking about the IIA and academic relations, supporting universities); and 3) Administration (various reporting requirements). The CAP is broken down into three service areas for which chapters receive points based on meeting certain criteria. The number to achieve Gold status is 1,560 credits. We achieved 2,069 points! That is well above the average across North America. For a small chapter like ours, this shows the great commitment from your local board to provide excellent programs and training to local members.

Personally, this is my last year as President of the chapter. I will be moving on to larger national roles with the IIA and continuing to support our local chapter. Most of you know the incoming President, Steve Ward. I wish him and the chapter all the best in 2011-2012!

Tom Peerless
President,
Thomas.peerless@gov.bc.ca
I can’t read a blob!

Not the icky green kind.... Binary Large OBjects used to store pictures in databases – like a driver’s license or a photo id card. When I last looked, I couldn’t find any audit software that can appropriately manage that type of data record. What are the risks? Are they material? Is it part of our audit universe?

Not being able to read blobs with our audit software reminds me about the head of the New York subway system maintenance who reputedly mused about graffiti “You gotta remember that paint technology is always one step ahead of solvent technology.”

I heard that in the 1920’s the stock market was vigorous and in many ways uncontrolled. The enthusiasm ended abruptly with an unprecedented financial catastrophe. Responses included creating the Security Exchange Com-mission; and, more books on auditing!

Thereafter, commentators suggested that there was “enough” regulation, that we should be mindful of the cost because regulations impeded efficiency.

Sixty turbulent years and many contextual changes later – globalization, Black-Scholes, GAAP, taxation, high-tech, dot com, competitive monetizing efficiencies transformed the landscape and arguably led to the various corporate and accounting scandals around 2000.

Efficient systems aren’t necessarily resilient systems.

There was an interesting confluence – investor losses, corporate and audit failures, bailouts, and cries for better control. Enter SOX – a piece of US legislation with some onerous control and reporting provisions that might normally have been reviewed and softened in the give and take of politics and new legislation.... But it passed, almost unanimously.

Perhaps SOX allowed solvent technology to get ahead of the paint.

But that was before the banks.... Some blame those financial failures on greedy individuals; others look to the Basel II accord, the asymmetry of information between buyers and sellers, and a web of contradictory incentives...
that undermined the regulations. It’s likely all of that, and more.

The goal of regulation and control isn’t to reduce risk taking, but rather to soften the blow when the inevitable does occur (i.e. to reduce the frequency and cost of failure).

Would it help if auditing (i.e. informed, independent, objective assessment) was timelier?

The Global Technology Audit Guide (GTAG) 3 - Continuous Auditing (CA), like many IIA publications, is full of good and useful thinking – this one about performing audit-related activities on a continuous basis. CA relies on computing.

“Continuous” auditing? Is that redundant?

R. G. Smails, in his 1938 book Auditing wrote “Internal audit has been defined as a review of operations and records, sometimes continuous, undertaken within a business by specially assigned staff.”

Have we lost something in the 70 years since then?

I interviewed a retiring auditor once. He commented that when he started auditing, the accounts were always right – in his view, computerization led to a loss of integrity.

Fifteenth century Italian authors - Cotrugli and Pacioli - documented an impressive step forward with their writing about double entry bookkeeping. That self-checking system abandoned the vagaries of lists.

Over five hundred years later, some enterprise application “efficiently” make the second “self-checking” entry. A payroll clerk simply enters dollars – say 80 hours at $40.00/hr – the system calculates and posts the journal entry. But miss entering the decimal place on the hourly rate....

So much for the solvent.

Our IIA competency ethic states “internal auditors shall continually improve their proficiency and the effectiveness and quality of their services.” Our continuing professional development standard #1230 urges us toward lifelong learning.

Strategic planner Arie de Geus wrote that the only true long-term competitive advantage is to learn faster than the competition.

Hmmm... try to keep up with the paint.
The IIA released two new Practice Guides in April 2011

Assisting Small Internal Audit Activities in Implementing the International Standards for the Professional Practice of Internal Auditing

Providing a working definition of “small internal audit activity,” this Practice Guide acknowledges what a chief audit executive (CAE) and audit leadership may face in implementing the Standards. It provides recommendations for resolving those challenges and addresses the benefits of using the Standards. Many of the challenges discussed in this Practice Guide are not unique to small audit activities; larger activities may face many of the same challenges.

Auditing the Control Environment

This Practice Guides provides guidance on the significance of the control environment: how to determine which elements of the control environment should be addressed by engagements in the periodic audit plan; how to scope, staff, and plan such engagements; and which items to consider in performing related audit work, including evaluating and reporting deficiencies.

For free download, visit the IIA page here.

Is this the case within your organization?

Recently, The Institute of Internal Auditors Research Foundation (IIARF) conducted a study in the United States on how those at the top perceive the internal audit activity. Contributing to the internal audit profession’s Common Body of Knowledge (CBOK), the survey gathered information from approximately 200 audit committee chairpersons and members, board chairpersons, chief executive officers, and chief financial officers or others to whom the chief audit executive (CAE) might report administratively.

Key findings of the study are revealed in this table.

- The majority of respondents rate internal auditing highly in terms of knowledge, adaptability, and value.
- Nearly one-third of respondents believe the internal audit group is insufficiently funded.
- Almost half the respondents believe that internal auditing does not excel at developing talent for leadership positions throughout the organization.
- The majority find internal audit reports to be clear and informative, although some cite a lack of timeliness in issuance.
- Most respondents view the function as not only an audit activity or enforcer, but also as a consulting resource.
- Many constituents are not sold on the idea of internal auditing having a role in strategic risk and corporate governance.
- Although most stakeholders are aware of professional standards and internal auditor certifications, many do not consider compliance or attainment to be critical.
IIA 70\textsuperscript{th} Anniversary

The IIA celebrates 70 years of internal audit leadership, service to the profession, and “Progress Through Sharing”

Do you know...

- Internal audit was not a recognized “profession” until the formation of the IIA in 1941.

- Toronto was the first international chapter formed in 1944, followed by Montreal in 1945.

- The first chapters established outside of North America were formed in London and Manila.

- The IIA’s motto “Progress Through Sharing” was adopted in 1955 and has remained in use ever since.

- Lawrence Sawyer, revered as the “Father of Modern Internal Auditing”, joined the IIA in 1957.

- The CIA exam was first given in 1974.


- IIA celebrated its 100,000th member in 2005.

- IIA now has 170,000 members globally – in 165 countries.

How good is your knowledge about IIA history? See more IIA Trivia [here](#).
Chapter Achievements 2010-2011

The IIA Vancouver Island Chapter, Canada’s smallest chapter, has received the **GOLD Chapter** award from the IIA headquarters for the 4th consecutive year since inception! Gold Chapter means:

- Excellence in service to members,
- Excellence in service to the profession, and
- Excellence in chapter administration.

Congratulations!

Programs and activities offered to members during 2010-2011
- 6 luncheons
- 2 full-day workshops
- Total of 27 CPE hours offered
- Total of 214 members and non-members served

Leadership development for local board members
- 1 representative to IIA Leadership Academy in Orlando
- 2 representatives to IIA National Conference in Vancouver
- 2 representatives to IIA Canada District workshop in Ottawa
- Co-hosting the IIA National Conference 2010 with Vancouver Chapter
- Our president appointed, by Western Chapter leaders, as a representative on the IIA Canada Nominations Committee

Enhancement in chapter administration
- VISA debit card as new payment option for members
- QuickBooks as Chapter’s accounting software
- GiftTool as event registration tool
- Adoption of Chapter Financial Policies

All board members of your Vancouver Island chapter thank you for your continuous support and participation in all our events. We will continue to bring you quality training and programs in the upcoming years!
The Vancouver Island Chapter sent our incoming Program Co-Chair, Mukesh Kashyap to participate in the IIA Leadership Academy in Orlando, Florida during April 10-12, 2011. Read Mukesh’s sharing about his learnings from this event here.

This year, as IIA celebrates its 70th Anniversary, the 2011 Leadership Academy held in Orlando, Florida built this theme into its ‘core’. As an IIA Vancouver Island chapter representative, I learned the IIA core values and shared leading practices with other chapter leaders while building a better understanding of the core resources available for the chapter and its members. Included were exciting, thoughtful and interactive general sessions, panels, smaller facilitated breakouts as well as opportunities to network with other chapter’s representatives.

The keynotes at the leadership academy were particularly good, including the foremost motivational speakers, who were Vicki Hitzges, Thad Lacinak, Dan Thurmon and Teri Langhans.

For me, Dan Thurmon’s “Off Balance On Purpose” session stood out. The key message was that one should step away from the idea of perfect balance and experience true happiness by having meaningful goals and leading a life that has lasting significance. His philosophy was based on three powerful principles:

1. **You will never achieve perfect balance.** You are in a constant state of being off balance, making adjustments in one area of life that affects other areas of your life.

2. **Being “Off Balance” is the desired method of operation.** Off balance is how you accomplish goals, grow, and make a meaningful difference to others.

3. **“On Purpose” has two very important meanings:** First, your actions must be intentional and deliberate. This means taking responsibility for what you do and making conscious choices about how you will invest your precious resources of time, energy and money. Second, “On Purpose” means that your decisions and actions are directly linked to your values, beliefs, mission, and goals. Instead of living a life of activity, you need to start building a “pattern of action” that comes from your core.

This Leadership Academy provided me with a solid foundation and inspired me to deliver the best to our chapter members in the coming year. Thanks for allowing me to represent you!

Mukesh Kashyap
Mukesh.kashyap@gov.bc.ca

Me with the Barbados Chapter President
Upcoming Professional Development Programs

FREE Members-only Webinar

Mapping the Future:
The Next Steps in Your Internal Audit Career

June 21, 2011  1:00-2:00PM EST
Click here for more information and to register

June 23, 2011

Emerging Privacy Issues
and the Use of Privacy Risk Assessment

LeRoy Browser, Assistant Information and Privacy Commissioner
The Union Club, 12:00am – 2:30pm

Join your local IIA board members for lunch, audit presentation
and Annual General Meeting. Free for members! Click here to register.

IIA Canada Webinar

Effective Reporting to Boards and Audit Committees

June 28, 2011  1:00-3:00PM EST
Click here for more information and to register

NATIONAL CONFERENCE
CONFÉRENCE NATIONALE
Toronto, Ontario
September 25 - 28, 2011
Important Notice

Dear Colleagues,

I am very pleased to announce the newest CIA and CCSA who are members of our Vancouver Island chapter. Congratulations to Shaun Price, CIA; Kelly Dorin, CCSA; and Graham Tranter, CCSA! Your certificate is on its way!

At a global level, the CIA® has also reached a new milestone. Portia Ngesi of Mondeor, South Africa has become the 100,000th professional to become certified. Read more about Portia here.

For other candidates, we look forward to your success on the exams.

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

Institute of Internal Auditor  
Vancouver Island Chapter  
British Columbia  
Canada
Photo Corner – VI IIA May Events

A captivated audience in Tao of the Everest

Auditing IT Financial Systems by Blaine Bey

Blaine shared his experience and practical tips

Tao of The Everest by Ian Woodall

Ian and his powerful story telling

Everest summits

...and generously gives prizes to participants
Photo Corner – IIA Canada Leadership Event

IIA Canada District Workshop

at WESTIN Bear Mountain
June 3-4 2011

Chapter reps from all across Canada

Sharing best practices among chapters
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