The Vancouver Island Chapter welcomed its new president, Kelly Dorin, third from the right, at the Annual General Meeting held on June 24, 2014. Kelly will serve for the next two years. Read his inaugural message on page 2.

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Check These Out!

IIA Canada provides regular, free webinars and e-learning courses. Click the icon above for the scheduled events and details.

IIA National Conference will be in Ottawa this year. Check the program details and registration info via this link.

IIA HQ also provides free monthly webinars. Click here for upcoming sessions.

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I've been an internal auditor for the last 17 years. I love being an internal auditor, and I'm very passionate about the Internal Audit profession. I'm fortunate to be taking over a Chapter that has a dedicated Board, strong membership participation, and a history of putting on successful training events. The Vancouver Island Chapter has recently received it Gold Status for the seventh consecutive year, and our Chapter leads the country in CAP points earned, which are based on service to members, service to the profession, and chapter administration activities. This is an amazing accomplishment for our Chapter.

My priorities for the next two years include:

- expanding our Vancouver Island membership base by connecting with internal auditors outside the Victoria area;
- increasing our involvement with students and institutions offering accounting and audit courses;
- maintaining and building on the excellent training being offered;
- supporting our members that are interested in obtaining their internal audit certifications; and
- providing whatever support is required to ensure a successful 2015 International Conference in Vancouver.

I'm honored that the Vancouver Island IIA board members have given me the opportunity to represent our members for the next two years, and I'm fortunate to be surrounded by excellent past and present board members. I want to personally thank Teeravit for the leadership that he has demonstrated over the past two years. In my travels to both the National and IIA Leadership Conferences, I've noticed that the Vancouver Island Chapter is held in high regard by other Chapters. As the new IIA VI Chapter president, I will work hard to maintain and build on the excellent foundation that has preceded me.

Kelly Dorin, CPA, CA, CIA, CCSA, CRMA
IIA Vancouver Island Chapter President
“Understanding Fraud Risk and Interviewing Techniques”, a presentation by Tiffany Couch: Reviewed by Kelly Dorin

Vancouver Island Internal Auditors and affiliated members witnessed an excellent fraud presentation by Tiffany Couch on July 23rd at the Union Club in Victoria. Tiffany is the founder of Acuity Forensics, which is a forensic accounting and litigation support firm located in Washington State. She has more than 17 years of experience in the field of accounting, with the last 10 years focused solely on forensic accounting related engagements.

The presentation began with a review of the definition of fraud, fraud components, and discussion of typical fraud schemes. Fraud is commonly defined as “Using one’s occupation for unauthorized personal gain through deliberate misuse of the employing entity’s resources or assets.” The likelihood of fraud increases when an employee’s circumstances involve personal pressure such as financial challenges or addiction issues. Weaknesses in internal controls must exist for an employee to seize an opportunity to commit fraud, and fraudsters typically rationalize their crime based on some entitlement or circumstance that they feel justifies the crime committed.

The components of fraud involve the act, the concealment and the conversion. Auditors will typically detect fraud at the concealment stage of the process. It’s difficult for auditors to actually catch a fraudster committing the act, and auditors are not in the best position to detect fraud at the conversion stage because the auditor would be unlikely to notice improvements in an employee’s lifestyle during the review process.

Fraud schemes can include asset misappropriation like cash receipts theft or fraudulent disbursements ($120,000 average fraud). Corruption schemes like kickbacks or conflict of interest ($250,000 average fraud), and financial statement fraud like fictitious revenues, inappropriate timing differences, and improper asset valuations ($1 million average fraud).

Over 40% of fraud is detected through tips. People that commit fraud exhibit certain behaviours. They are rarely absent, refuse to relinquish control, work long hours, and appear to be living beyond their means. People that commit fraud are often the last people you would suspect, and there is a correlation between the size of the fraud and the tenure of the employee. The median loss from fraudsters that have been with the company for 10 years or more is $229,000. When fraud is detected in new employees, it’s quite likely that they have also committed fraud in their prior job.

Following the overview of fraud, Tiffany provided participants with some real life examples of the types of financial statement fraud that she has discovered in her career. These included issues with revenue recognition, improper asset valuations, fictitious accounts receivable, concealed liabilities, and insufficient disclosures.

An overview of Investigative procedures was also provided. Topics included investigation planning, identifying source documents, evidence collection, interviewing skills, and verbal and non-verbal cues for detecting deception.

Overall, Tiffany Couch was an excellent presenter and gave a highly educational presentation to the participants.
You, our readers, are a vast resource of knowledge, experience and ideas. The Connector would love to provide a forum for you to share some of these with one another. If you would like to submit your story about any internal audit related topic, please contact our Newsletter Chair. These items may be of a serious or humorous nature, or both! Items may be e-mailed to mstanton126@gmail.com. Your fellow internal auditors are certain to enjoy reading them. The editor looks forward to hearing from you.

The Connector
### Professional Development Events

**OCTOBER 2014-JANUARY 2015**

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<th>Year</th>
<th>Month</th>
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<th>Event Type</th>
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<tr>
<td>2014</td>
<td>September</td>
<td>11</td>
<td>Luncheon (1.5 CPE)</td>
<td>Leadership (Soft Skills)</td>
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<td>2014</td>
<td>October</td>
<td>6</td>
<td>All Day (6.5 CPE)</td>
<td>How to Investigate: The Fundamentals of Effective Fact Finding</td>
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<tr>
<td>2014</td>
<td>November</td>
<td>6</td>
<td>Luncheon (1.5 CPE)</td>
<td>IIAVI Presents - Speed Talks (12:00-2:00)</td>
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<td>Results Based Budgeting</td>
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<td>Using Control Risk Self-Assessment to develop the Audit Universe</td>
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<td>2014</td>
<td>December</td>
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<td>Conference (All Day)</td>
<td>Fraud Conference</td>
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<td>2015</td>
<td>January</td>
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<td>Luncheon (1.5 CPE)</td>
<td>Contract &amp; Procurement Audit</td>
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- All events are held at the Union Club of BC, 805 Gordon Street
- For registration to any of the above, or more information on upcoming events, go to [Institute of Internal Auditors Vancouver Island Chapter](https://www.institute-of-internal-auditors.org/chapters/vancouver-island)
IIA Headquarter News and Announcements

16-Sept. - 2014 at 1:00 pm ET. Fraud and Embezzlement Webinar
Register now to discuss how fraud can wreak havoc on an organization's financial performance and undermine business objectives.

30-September-2014 2014 IT Audit & Controls Conference
San Diego, CA, USA

05-October-2014 Canadian National Conference
Ottawa, ON, Canada

See more at theiia.org

AuditChannel.tv

Click on AUDIT CHANNEL.tv above, relax and enjoy some quality and empowering TV, including:

What-Is-CBOK-Pt-2-Viewing-the-Global-Profession
06:01
In part 2 of their interview, Jean Coroller and Dick Anderson stress the importance of global input to paint an accurate picture of the profession, getting good data, how you can help, stakeholder education, and more.

Volunteer-Strengthen-Your-Leadership-Skills
01:49
Any volunteer will tell you, the benefits of service are well worth the time and effort. And it’s fun! Sheila Smigarowski says “For me...what has been most exciting about being a volunteer is that you get to do things that you might not get to do in your daily job.”

Promoting-the-Profession-Advocacy-and-Academics
02:28
Harold Silverman presents compelling reasons to advocate for our profession, on the local and global scale of business interests as well as to students just entering the business world.
The IIA's Certified Internal Auditor® (CIA®) certification is the only globally accepted designation for internal auditors. It is a four-part exam that remains the standard by which individuals demonstrate their comprehensive competence and professionalism in the internal auditing field.

In response to market demand for premier quality global CIA exam preparation, The IIA has developed The IIA's CIA Learning System™. The IIA's CIA Learning System is a comprehensive print and online CIA review program that will prepare you to pass the CIA exam. In 2011, The IIA updated topics to align with 2011 IPPF. A French version of the program is also available. For more information on IIA's CIA Learning System click on the logo below.

Exclusive Offer to Members

Your IIA Vancouver Island Chapter is pleased to assist members interested in obtaining the globally recognized CIA designation through providing IIA's CIA Learning System at significantly lower prices:

- Full Kit: 3-Part Exam, CAD$650* (New!)
- Individual Part, CAD $285* (New!)
- Full Kit: 4-Part Exam, CAD$625*
- Individual parts CAD$275*

Note: * All inclusive. Subject to change without notice. Prices for non-members are also available.

This offer represents significant savings from the regular prices offered directly through the IIA.

For more information and to purchase your IIA's CIA Learning System, please go to the following link.

The IIA's CIA Learning System - Order/Payment Site
IIA Certification: Financial Support

To support our chapter members in their pursuit of IIA Certification(s), the chapter will provide financial support to the successful candidates who meet the following criteria.

1. All exam and application fees were personally funded.
2. All eligibility requirements were met and passed the exam(s).
3. Be a good standing member when the certification is awarded.

Each successful candidate will receive $100. A limit of 5 successful candidates has been set up for each fiscal year.

Gleim CIA Study Material Discount

In addition to the discounts on IIA’s CIA Learning System, we are proud to offer significant discounts on Gleim’s CIA Study Materials for our chapter members.

As a chapter member, you can get a 20% discount on Gleim’s CIA exam prep products. Please visit the Members Only section of the IIA Vancouver Island website.

We would like to hear from you. Any comment or suggestion on how we can support you for earning IIA Certifications?

► Attention all members ◄

Important change to the Education Requirement for the CIA: The Global Board of Directors has approved an alternate path to eligibility for the CIA for those candidates who do not possess a Bachelor’s degree from an accredited university. Candidates may now become eligible for the CIA, subject to approval, who possess: Two years post secondary education and five years verified experience in internal audit or its equivalent, OR Seven years verified experience in internal audit or its equivalent. The complete process and forms are coming soon. Please check this page for updates and details.

► Certifications Questions? ◄

Ask our Certification Chair, Michael Zwicker
michael.zwicker7@gmail.com

CIA Exam Review Program by Mount Royal University (Online Course)

Click here for more info.
10 pointers for fighting fraud

Dr. Wells' departing advice

Dr. Joseph T. Wells, CFE, CPA, founder and Chairman of the ACFE, offered suggestions for fraud examiners during the 25th Annual ACFE Global Fraud Conference, his last.

BE NICE AND SMILE OFTEN
Fighting fraud is an adversarial process. You are trying to prove that someone has done something wrong. No one is going to fight you harder than a person who may lose his or her liberty. If you don't have the stomach for it, find another job. This is not a profession for wimps.
But that doesn't mean you can't be nice. As a matter of fact, the best fraud examiners and investigators I've met are also the nicest. They smile a lot, even when staring down crooks. It completely disarms them.

DO YOUR HOMEWORK FIRST
If you have an allegation of fraud, don't go talk to the suspect before you've done your homework. Learn how to use the Internet and to locate public records. I'm often surprised when fraud examiners — who should know better — talk to the suspect first, when that's normally the last person you talk to. Or, as they say here in Texas, just hold your horses for a bit.

DEVELOP A FRAUD THEORY
I once worked with an FBI agent named Roy. He seemed like a hard-working guy. When he retired, I inherited all of his cases. But as I looked through one of his files after another, it became clear that he didn't even know what he was investigating. There was no method to his work — no rhyme or reason. So, in order to successfully investigate a fraud case, it's vital to have a theory of what occurred.
Every type of case, from bribery to embezzlement, has unique signs. You must learn what those are. Then it is your job to prove or disprove your own theory by examining these unique signs. In the end, it doesn't matter if you prove it or disprove it because in both situations, the truth will come out.

DON'T OVERCOMPLICATE A CASE
One of the surest signs of a rookie is to see vast criminal conspiracies behind every rock — to make a case complicated when it's not. That isn't to say that people don't conspire. But the majority of fraud cases are committed by one person, acting alone, trying to conceal the crime from everyone, including family members. If you investigate enough frauds, you will learn that the offender almost always finds the easiest way to commit the crime, and that is the method, which is consistently used.
IF YOU DON’T KNOW WHAT TO DO NEXT, STOP
Many inexperienced fraud examiners can be too aggressive and attempt to solve a fraud case too quickly. That's when they can make mistakes that are often fatal to the case and that also put the fraud examiner in legal jeopardy. If you get to the point where you don't know what to do next, stop. Take a breather. Discuss it with your colleagues or with legal counsel. Then start afresh.

DON’T OVERSTEP YOUR AUTHORITY
Remember, anyone can tell you anything voluntarily. They can give you any record that they want to. But you can't coerce people. You can't get records secretly that you aren't entitled to. You can't threaten. There's a legal concept about evidence called "fruit of the poisonous tree." It means that if you do something illegal in furtherance of what you think is a good cause, every piece of evidence obtained that way is tainted and can't be used.

It isn't necessary to overstep your authority when conducting fraud examinations. If it is, simply let the case go. Look at the shameful experience of the United States when waterboarding was authorized as a technique in terrorist interrogations. Nearly all this information turned out to be unreliable. That isn't a surprise at all when you understand that human beings will say just about anything in response to threats. Those kinds of techniques are illegal; it's called torture, no matter what spin politicians put on it. And even though it is doubtful that you'll ever need to torture anyone in a fraud case, remember the principle: Don't overstep your authority. Nothing good can come from it.

ALWAYS LOOK FOR MORE LEADS
When I was a rookie FBI agent, an old salt asked me if I thought my job was to investigate cases. I thought it was a trick question. He said, "Your job is to develop leads — people to talk to, documents to examine, places to look. If you develop enough leads and cover them, the case will solve itself. If that doesn't work, the case is unsolvable." Truer words were never spoken.

BE VERY CAREFUL ABOUT EXPRESSING OPINIONS
In the world of accounting, opinions are the order of the day. Not so in the field of fraud examination. As a matter of fact, your goal should be to avoid giving opinions at all; they are a legal minefield. If you believe that someone committed an illegal act or acts, this should be apparent from the facts gained in your fraud examination. If not, perhaps you may need to shore up your work.

The CFE Code of Professional Ethics absolutely prohibits you giving opinions on the guilt or innocence of any person or party. That is for good reason. Guilt or innocence can only be determined in a court of law by the judge or jury and not by you. So, if you do give an opinion, avoid those two words at all costs.
BOOKS AND RECORDS DON'T COMMIT FRAUD; PEOPLE DO
It's very easy, especially if you have an accounting background, to get carried away with numbers. I've had more than a few people try to convince me fraud had occurred because the numbers don't make sense. For sure, this is one indicator of possible fraud. But it also could mean mistake or error. The difference is intent. You can rarely prove intent with numbers alone. Once you discover improper accounting, you must shore that up. Don't just take a bunch of numbers to a lawyer or a prosecutor. The numbers can't get up on the stand and testify. They can't tell a story of dishonesty or greed. You need witnesses for that. Remember always that books and records don't commit fraud; people do.

UNDERSTAND WHAT THE FRAMERS OF THE CONSTITUTION INTENDED
Fraud examiners often get frustrated when they can't solve every case. That is the nature of the game. But keep in mind what the framers of the constitution intended. Benjamin Franklin famously said, "It is better that 100 guilty persons should escape than one innocent person should suffer." We've all read stories of innocent people being released after decades in prison. Or even worse, finding out they didn't do it after they have been executed. Although it doesn't have as much impact when you read about someone else, what if it happened to you or your loved ones?
As faulty as our system is, it also has built-in safeguards to protect the accused. Those safeguards begin with you, the fraud examiner. Don't be out to "get" someone. If you are, it will be easier for you to fall victim to the temptation of overstepping your bounds. Do your job and do it well, but don't be a zealot. We've all seen macho detectives on television that do the wrong thing in the interest of so-called justice. Nobody who knows me well, including many people I've helped put behind bars, thinks I'm soft on crime. But there is a right way and a wrong way. In short, if you can't play by the rules, you don't deserve to win.
It isn't easy to distill 44 years of experience in a few short minutes. But I hope you take to heart what I've said. It will serve you well.

Dr. Joseph T. Wells, CFE, CPA, is founder and Chairman of the ACFE.
Photo Corner – Recent Events

Kelly and Graham are pleased

Nijjy Potikanon MCs

Jeremy Picco and Megan Clair speak on Reputation Risk

Rapt Attention

Good Company

Information Privacy with Hamish Flanagan

Lisa Pender, our excellent board secretary

The President
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