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**The Institute of
Internal Auditors**
Australia



Annual Report
2017



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President's Report



Mark Harrison

As a member organisation, we are acutely aware of our responsibility to help our members grow and succeed. In an increasingly disruptive environment, the role for internal auditors is becoming more significant. We are continually seeking ways to ensure members have the skills and resources needed to get ahead in their careers.

One of the highlights of this year was the IIA International Conference held in July at the Sydney Convention Centre. This was an excellent opportunity to have the global internal audit profession come to our shores. Over 2,000 guests from over 85 countries attended the International Conference in 2017 – giving our members the opportunity to hear from global leaders on current issues, and to meet peers from around the world. By every measure the International Conference was a huge success.

Over the past couple of years, the Board has been particularly focussed on strengthening the profile and recognition of the profession in the Australian marketplace. This has continued at increased pace in 2017, partly as a result of the International Conference. We also have increased our engagement with influencers in Government and politics around the country, as well as in the business world.

In particular, the Institute increased its engagement with the Australian Institute of Company Directors and the major service providers around the country. We collaborated with these groups to promote the importance of internal audit, and we anticipate continuing these engagements in 2018.

Further, members will have seen increased presence of the Institute in the marketplace through editorial comment in the media. The release of globally respected thought leadership publications, such as *Audit Committees*:

A guide to good practice and Managing Culture: A good practice guide, both provide members with valuable resources, as well as positioning the profession as a leader on issues that Boards and managers perceive as vital to success. We are proud of these publications and encourage all members to make use of them.

The Institute was excited by the first meeting of the Youth Leadership Committee on December 12, which attracted an impressive array of young talent from across Australia to provide input into policy. This will assist the Institute of Internal Auditors – Australia to attract and engage with the future of our profession.

The mission of our Education and Professional Development program is to develop internal audit professionals and allow them to excel in their roles. We were pleased to receive re-registration of the Graduate Certificate in Internal Auditing course by the Australian Government – reinforcement of its importance and the excellence in its delivery.

Interest in the course from within Australia and now overseas remains strong, providing an opportunity to share its benefits and increase its financial sustainability.

The Board remains focussed on long-term financial sustainability of the Institute. Unusually for the organisation, we budgeted for a deficit in 2017 of \$190,000. This reflected our known investment in the International Conference. The actual result for 2017 was a deficit of \$192,000, broadly consistent with expectations.

Importantly, the Institute continues to meet all of its financial reserve targets, and in 2018 our budget is expected to return to a positive result.

President's Report

CONTINUED

We are particularly excited for 2018 to bring in a new branding and membership engagement strategy, which we expect to further position the Institute to support each and every member.

The role of Board members is to also ensure we have an Australian voice in the global internal audit profession. To that end, I have been appointed as Secretary of the Executive Committee, as part of the Executive Committee of the Asian Confederation of Institutes of Internal Auditors. We are also active in other leadership groups, including the Committee of Research and Education Advisers; Global Professional Responsibility & Ethics Committee; Professional Certifications Board, Public Sector Guidance Committee; Financial Services Guidance Committee; Global Professional Development Committee; and IT Guidance Committee. (A full list of board and committee members on page 19-22). This allows the Institute of Internal Auditors – Australia to influence global standard setting, as well as to bring global developments back to Australia.

As we mark the end of another successful year, I would like to take the opportunity to acknowledge and thank our outgoing President, Lee Sullivan. Lee oversaw the strengthening of our organisation and set in train many of the achievements noted above. Lee remains on our Board and is an important source of strategic counsel.

I would like to recognise the valuable work done across the country by the State and Territory Chapters. These are critical to the delivery of services to all of our members.

Finally, I would like to thank all of my colleagues on the Board and its Committees for their commitment and work in 2017, and to our CEO Peter Jones and his staff for their outstanding contribution and achievements this year.

We are well positioned in 2018 to achieve another successful year of growth in reaching our aim of being the pre-eminent professional body for internal auditors.

We are conscious that, as your member body, we are here for the sole purpose of serving your needs. So, if you have any feedback on this report, or how we can be of better service to you, please get in touch with us at enquiry@iia.org.au.



Mark Harrison, PMIIA CIA CRMA
President and Chairman of the Board

CEO's Report



Peter Jones

International Conference

Hosting the 2017 International Conference in Sydney became all-consuming for staff, particularly in the months leading-up to the actual conference in July. The focus by IIA-Australia was to ensure that delegates, sponsors, and exhibitors had a positive, valuable and memorable experience of their time in Sydney. I do want to acknowledge the efforts of those members who contributed many hours of their time to advise us on the conference program, the social activities, marketing initiatives, financial oversight, sponsorship opportunities, and of course the volunteers who assisted delegates during the conference itself.

The conference attracted good media coverage on radio, in print, and on social media.

Serving our members

During the year we launched a new and upgraded website to make navigating around the site easier and for it to be accessible by mobile phones, tablets and other devices.

For the third year in a row, we did not increase membership subscriptions. This has been a deliberate decision to keep membership both affordable and attractive to members.

We introduced an Affiliate Membership category for those professionals who work alongside internal auditors, but who do not practice as internal auditors. We now have Affiliate members who are company directors, audit committee members, risk practitioners, and members who no longer practice as internal auditors, but who wish to maintain a connection with the profession.

During the year we transitioned to a single membership renewal anniversary date for all members of 1 July. This

serves two purposes: first, it improves staffing efficiency, and secondly, it encourages members to renew their membership before 30 June, and to immediately claim their membership fee on their tax return.

Education and training

The Graduate Certificate in Internal Auditing (GradCertIA) is the only post-graduate qualification covering internal auditing in Australia. The Australian Government's higher education regulator conducted an extensive review of the qualification and they re-accredited the GradCertIA for a further seven years. At the same time, the regulator also re-registered IIA-Australia as a higher education provider for seven years. As an online qualification available to students around Australia, these positive outcomes reflect the quality of the program and the way it is managed. To the end of 2017, 166 people have successfully completed the GradCertIA qualification.

Thirty-five members completed the Certified Internal Auditor (CIA) program in 2017.

We delivered a wide range of short courses around Australia and 280 participants benefited from these. We also delivered 20 days of in-house and tailored in-house training to organisations.

We have identified areas of training, including learning objectives, at the Chief Internal Audit level, the manager level, and at the junior internal auditor level. Delivering on these will become a focus for 2018.

Advocacy and thought leadership

IIA-Australia is an active member of the ASX Corporate Governance Council and Standards Australia's Risk Management Committee.

We forwarded eight submissions to government in response to developing legislation around Whistleblowing, changes to State and local government legislation, and review of the PGPA Act.

Thought leadership included the release of the 3rd Edition of Audit Committees: A Guide to Good Practice (Third Edition 2017), which was the 20th year of collaboration on this joint publication with Australia Institute of Company Directors and the Auditing and Assurance Standards Board.

IIA-Australia initiated the development of Managing Culture: A Good Practice Guide with the Ethics Centre, Governance Institute and Chartered Accountants ANZ. The publication had extensive input from APRA, with a forward by ASIC Commissioner John Price. The publication attracted broad media coverage, and has also been circulated widely internationally.

Conclusion

2017 was a challenging but successful year for IIA-Australia.

I would like to thank the IIA-Australia Board for their support and direction throughout the year. I would like to thank all members and my dedicated staff who were critical to making 2017 a successful year. And I would like to thank our volunteers and the Chapter Councils around the country for engaging with our members locally.



Peter Jones
Chief Executive Officer
IIA-Australia

Chapter Chairs

Australian Capital Territory

Chairperson Alissa Irgang AMIA

The ACT chapter held 15 member events and 23 training courses and webinars this year. The flagship Public Sector Conference on the theme of digital transformation held in Canberra, attracted over 100 delegates. The Chapter also engaged with universities to encourage student membership, multiple industry events focusing on technology matters were held in conjunction with ISACA, ACFE and Australian Computing Society. ACT's mentoring program maintained its popularity reaching over 100 participants to date in the program, and the ACT program has been adopted and rolled out on a national basis.

New South Wales

Chairperson Charlie Puddicombe PMIIA CIA

There were eight chapter council meetings, eleven members' meetings and three AENs in 2017. An average of 60 members attended each meeting, which included live streaming and outreach to regional members. The Chapter also hosted Chinese delegations from the audit offices of Yunnan and Hubei Province. Current membership levels as of 31 December, 2017 was 1055, which represents 38% of total IIA-Australia membership.

Queensland

Chairperson – Nicki Bingham MIIA(Aust)

The Queensland Chapter has 482 members and a retention rate of 96.6%. A members' meeting is held each month and hosted by a number of professional firms including Deloitte, KPMG, PwC and EY. A variety of topics have been covered through these meetings including soft skills, technical skills and industry focused events.

One of the key strategies is to appeal to younger practitioners and we held a very successful Young Internal Audit (YIA) event hosted by Vincents with over 40 young practitioners attending. In 2018 and beyond, we will be working with the YIA representative of the IIA-Australia to engage better with this group of emerging internal auditors.

South Australia

Chairperson - Tim Muhlhauser MIIA(Aust)

The SA chapter has around 116 members down from 127 last year, with a 91.3 % retention rate. There were six members' meetings and one CAE lunch held during the year. The meetings covered a range of topics such as BCM/Disaster recovery based on extreme weather events which plagued the State in 2016, "Disruption – the significance of Innovation", technical events focusing on "achieving value from the audit of internal controls" and many others. The Chapter has

been engaging with universities with the aim of engaging with students to communicate the value of the internal audit profession. The SA conference was a great success this year with 64 delegates attending from industry and the public sector.

Tasmania

Chairperson Alicia Leis AMIA

The Chapter met four times this year, which included networking functions and a special address by Chair of the Audit & Risk Committee for UTAS, Harvey Gibson. The Chapter targeted university students at Market Day at the University of Tasmania. There are 29 members as of 31 December 2017.

Victoria

Chairperson Tania Stegemann PFIIA CIA CCSA CRMA

The Chapter reported solid growth in the Victoria Council with 525 members and 16 councillors, with a retention rate of 98.7%.

The Chapter held a number of members' meetings, including joint meetings with ISACA and RMIA with 50-60 registrations for each meeting, as well as a CAE networking event sponsored by RSM, which was a panel discussion over lunch.

Professional development is a key driver for the Chapter with 128 CIA qualified practitioners, and more than 35 studying for the Graduate Certificate in Internal Auditing qualification. A mentoring program is currently being established and will be operational for 2018. The Chapter is looking forward to hosting SOPAC® for the wider IIA membership in 2018.

Western Australia

Chairperson Mark Hamill AMIA

The Chapter held meetings every six weeks with discussions around improving member value, and ways to strengthen and grow the membership. There are 221 members as of 31 December, 2017.

A number of sub-committees have focused on member meetings, CAE engagement, younger members, engagement with universities, member mentoring program and strengthening relationships with other member Institutes such as ISACA, RMIA and Governance Institute of Australia.

During the year the Chapter held a meeting for younger members hosted by PwC and a Data Analytics session. The Chapter also hosted the annual Western Australia IIA Conference in September 2017. The conference received a record attendance and covered a wide range of current internal audit challenges. Feedback from members who attended was extremely positive and the Chapter Council hopes to build on this success and other initiatives in 2018.

Management Round-up

Professional Development

IIA-Australia successfully delivered a total of 45 public training courses resulting in the delivery of 4,360 CPE hours for the year. Two new cyber security courses as well as an Audit Committee, and a seminar on the revisions to the PGPA Act were added to the 2017 program.

A total of 14 in-house programs were also delivered for the year, which resulted in the delivery of 20 training days.

Attendance at the free monthly webinars remained strong with almost 2,000 people accessing the scheduled live webinar session over the year.

The 2017 conference program was a significant change to our customary schedule with SOPAC not on the professional development calendar due to Sydney hosting the 2017 International Conference with over 2000 delegates in attendance.

Eight other conferences were also conducted in 2017, one of which was the inaugural Health Sector Forum.

Once again members played an integral role in developing the programs for these conferences. Over 100 members providing input into the content development through focus groups.

Membership

IIA-Australia membership renewals changed from date of application to a universal renewal for all members on July 1.

The change in membership year to reflect the Australian Financial Year has been an ongoing project since early 2016. Our first large invoice run of 2,000 invoices ran smoothly due to careful planning and hard work by the membership team.

Despite the difficulties in transition to a financial year renewal, the retention rate for members remained high at 88.6%.

Following the release of the supplemental guidance of the IPPF, which addressed a range of the concerns of the practice firms, many of the big four such as KPMG and Deloitte took up group memberships.

However, 2017 was a year of challenges. Due to policy changes at the Federal level, we saw government clients only paying for what is regarded as essential memberships (CA, CPA). As a result, IIA-Australia lost some individual and group members.



Nevertheless, we had 294 new members in 2017, and the Institute received good feedback from members that attended the IIA International Conference.

Every State Chapter ran regular and successful members' meetings throughout the year, and we look forward to growing memberships in 2018.

Advocacy

The focus of Public Affairs for 2017 was the inclusion of the internal audit function in local government legislation, and promotion of the International Professional Practices Framework (IPPF).

Revised local government Acts in NSW has now included the internal audit function, and Victoria has recently amended its legislation to include the internal audit function after lobbying by IIA-Australia.

Public Affairs also met with South Australian shadow Treasurer Rob Lucas and shadow local government minister David Pisoni, and local government policy advisers in Victoria. Public Affairs also met with Federal Department of Finance officials late in 2017. There was also a range of meetings with regulators and stakeholders such as Group 100, ASFA, CPA Australia and FRC Chair Bill Edge.

The promotion of the International Conference in July achieved media coverage in Public Accountant with three stories, Business section interview with Kath McLay in The Australian, Richard Chamberlain's interview in the Australian Financial Review, Peter Jones interview with radio 2 GB, Accountants Daily, and Philippa Malmgren feature interview in Acuity magazine in October.

Management Round-Up

CONTINUED

IIA-Public Affairs also assisted in the launch of publication authored by IIA-Australia, AICD and AUASB titled Audit Committee – A Guide to Good Practice (Third Edition), which was launched at NSW business school by AICD's Michael Coleman, Peter Jones and Professor Roger Simnett AO from AUASB. In December, IIA-Australia with Chartered Accountants ANZ, Governance Institute of Australia, and Ethics Centre launched Managing Culture – A Good Practice Guide at the Ethics Centre, which achieved media coverage in The Australian, Australian Financial Review, HR Daily, Accountants Daily, and a story on culture which appeared in the AICD magazine.

IIA-A Public Affairs made submissions to ASX Corporate Governance Council to include IPPF in ASX Principles and Recommendations in fourth edition 2018 release.

IIA-Public Affairs also made a number of submissions to Federal Government enquiries including PGPA Act and Whistle-blowers, which also included appearing before Parliamentary Hearings in Melbourne.

Education

After 18 months of hard work and perseverance by the IIA-Australia team and Education Committee we achieved the maximum seven years' re-registration as a higher education provider and reaccreditation of the Graduate Certificate in Internal Auditing (GradCertIA).

This recognition from TEQSA (Tertiary Education Quality and Standards Agency) reinforces the quality of this post-graduate qualification.

Special thanks must also go to Sue Blyth who acted as a consultant on this project and was pivotal in achieving the positive result.

At the end of 2017 we had 166 people complete this practical, online course providing them with the skills and knowledge of a professional internal auditor, a pathway to professional membership and benefitting their organisations in their day to day activities. They have all shown great commitment as do those currently undertaking the course.

Congratulations to two graduates who stood out and received recognition through the GradCertIA Excellence Awards- Kylie Milliken PMIIA GradCertIA won the GradCertIA Best Overall Performance Award (proudly sponsored by Westpac) and Sarah Humphris PMIIA GradCertIA received the GradCertIA Achievement Award (proudly sponsored by Woolworths).

The Education Committee worked tirelessly during the year to provide insight and leadership not only to improve the

GradCertIA and fulfil regulatory compliance requirements, but also guidance to professional development and certifications covered in the Education and Professional Development Strategic Plan.

The Chair, Suresh Cuganesan PMIIA, stepped down from the Education Committee in November after more than four years. We are very appreciative of Suresh's contribution to the Committee over this time. Gratitude also goes to Philomena Leung PFIIA who agreed to return to the role of Chair on an interim basis into 2018.

Certifications

Global certifications continue to thrive providing professional credentials to internal auditors and demonstrating expertise in commitment to the profession.

In 2017, there were 52 internal auditors in Australia who received a certification. Of those, 39 achieved the CIA® and 13 obtained a specialty certification.

We completed the transition to applicants using the IIA Global Certification Candidate Management System (CCMS) when applying for a certification, registering for an exam and reporting CPE. As these processes are still relatively new, the education team continues to offer support to applicants. Streamlining of the CPE reporting process is also a top priority for IIA-Australia.



Management Round-Up

CONTINUED

We were pleased to host Michael Newman and Jared Soileau from the IIA Global Academic Relations Committee along with Maunda Land from the IIA during the International Conference in Sydney. Many constructive meetings were held at universities in Sydney to discuss the role of internal auditing and certifications, and in particular the Internal Auditing Education Partnership Program.

Congratulations to Drew Turner PMIIA CIA who during 2017 received the William S Smith CIA – Certificate of Honors Award for outstanding performance on the Certified Internal Auditor (CIA) exam, submitting one of the best exam papers globally in 2016. Furthermore, Drew was named as the recipient of the 2016 IIA-Australia, John Blackman Award. This award recognises the effort that goes into passing the CIA exams by singling out the internal auditor who has passed all three parts without any failures at the highest level by an Australian candidate.

Technical & Consulting Report

During 2017, 13 White papers were added to the IIA-Australia website with 3,882 visits to the site. There are now 23 White Papers on the website. Fact Sheets were also introduced in 2017, with 8 Fact Sheets now on the website and 1,898 visits to the site.

The IAassist service averaged 17 enquiries each month.

IIA-Australia also contributed to the update of ACT Government Internal Audit Framework, Commonwealth Department of Finance's Good Practice Guide on Audit Committees and Public Governance, Performance and Accountability Act (PGPA), and Financial Reporting Council on quality of financial reporting. There also was a contribution to Victorian Auditor-General's Office report on Internal Audit Performance.

Consulting Report

Consulting business is building, with 2017 the largest number of client engagements ever, consisting primarily of External Quality Assessments and Independent Validation of client Self-Assessments. There is already good support for IIA-Australia consulting services leading into 2018.

Sponsorship

Sponsorship at IIA-Australia is focussed on growing its program and consolidating relationships with like-minded organisations, which share our commitment to the internal audit profession. In 2017, IIA-Australia received both financial contributions and in-kind sponsorship.

Financial contributions were largely directed to our industry focussed and state conferences along with the Awards of the Graduate Certificate in Internal Auditing Program. In-kind sponsorships were also received from organisations providing the venue and catering for members' meetings and interest groups.

Our long term supporters including Wolters Kluwer TeamMate, Protiviti and PwC continue to have a strong presence at our conferences. Satori Group maintained their close relationship with the Institute in 2017, as part of the IIA-Australia Supporter Program.

The IIA International Conference replaced the annual SOPAC® conference, which was held in Sydney in July 2017. SOPAC® returns to Melbourne in May, 2018.



IIA-Australia has representatives on the following IIA Global Committees.

Committee of Research and Education Advisors

Mission:

To provide the internal auditing profession with the information needed to anticipate, and react to, important external and internal factors that could have a material impact on the practice of internal auditing.

Australian Representative:

Tania Stegemann PFIIA CIA CCSA CRMA

Global Professional Responsibility and Ethics Committee

Mission:

To serve the global profession of internal auditing by maintaining The IIA Code of Ethics; promoting an understanding of and compliance with The IIA Code of Ethics; and assessing, investigating and sanctioning complaints concerning non-compliance with The IIA Code of Ethics.

Australian representative:

Sally-Anne Pitt PMIIA CIA CGAP (Chair)
Andrew MacLeod PMIIA CIA CRMA

International Board of Directors

Australian Representative:

(Director, Member of Audit Committee):
Stephen Horne PFIIA CIA CGAP CRMA

Chair, Audit Committee (to July 2017):

Cathy Blunt PFIIA CIA MBA BCom CPA CISA

Institute Relations Committee

Mission:

To promote and facilitate the development and maintenance of a global strategy that fosters good communication, collaboration and cooperation among The IIA and all Institutes. To oversee institute relations including the formation, development and expansion of IIA institutes.

Australian Representative:

Greg Hollyman PMIIA CIA CCSA CFSA CGAP CRMA
(Chair to July 2017)
Peter Francis PMIIA CIA (to July 2017)

Professional Certifications Board

Mission:

To govern and promote The IIA's global certification programs that are recognised as the global benchmark for the profession.

Australian Representative:

Bill Middleton PFIIA CIA CRMA

Public Sector Guidance Committee

Mission:

To influence, and provide leadership and advice to The IIA and its international committees on public sector auditing matters and to promote the interests of The IIA's public sector audit members.

Australian Representative:

Stephen Horne PFIIA CIA CGAP CRMA
Phil Draber PMIIA CIA CRMA



Financial Services Guidance Committee

Mission:

To strategically direct the development of IPPF guidance in support of financial services auditors globally by identifying, prioritising, and commissioning topical guidance specifically geared to the financial services sector, and ultimately approving such guidance as being of suitable quality and having been developed consistent with the approved project charter.

Australian Representative:

Kevin McCabe AMIIA
Nicola Rimmer PFIIA CIA QIAL

Information Technology Guidance Committee

Mission:

To strategically direct the development of information technology-related IPPF guidance by identifying, prioritizing, commissioning, and ultimately providing guidance specifically addressing information technology-related matters.

Australian Representative:

Stephen Coates PFIIA CIA CGAP CRMA

Global Professional Development Committee

Mission:

The Global Professional Development Committee (GPDC) will promote and enhance the global development of high-performing internal audit professionals, indispensable to their organisations.

Australian Representative:

Mark Harrison PMIIA CIA CRMA

Guidance Development Committee

Mission:

To strategically direct the development of general IPPF guidance in support of internal auditors globally (exclusive of financial services, public sector and information technology guidance), by identifying, prioritizing, commissioning, and ultimately approving guidance specifically geared to the unique needs of auditors servicing the public sector.

Ian Lyall PFIIA CIA CGAP CCSA CRMA

IIA-Regional

Australia is represented in the Asian Confederation of Institutes of Internal Auditors (ACIIA). ACIIA is a confederation of 18 IIA affiliates in the Asia Pacific region comprising: IIA-Australia, IIA Azerbaijan, IIA China, IIA Hong Kong China, IIA India, IIA Indonesia, IIA Fiji, IIA Japan, IIA Korea, IIA Malaysia, IIA New Zealand, IIA Pakistan, IIA Papua New Guinea, IIA Philippines, IIA Singapore, IIA Sri Lanka, IIA Chinese Taiwan and IIA Thailand.

ACIIA's vision is to be the regional voice of the internal auditing profession: advocating its value, promoting best practice, and providing exceptional service to its members.

Mark Harrison PMIIA CIA CRMA is Secretary (part of the Executive) for ACIIA, being elected in November 2017.

GOVERNANCE

Corporate Governance

The Institute of Internal Auditors – Australia is a founding member of the ASX Corporate Governance Council and IIA-Australia's Chief Executive Officer is a member of the Council. The Board is committed to ensuring that IIA-Australia pursues and applies the highest standards of corporate governance. Accordingly, it fully complies with the ASX Corporate Governance Council's Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight

The Board has responsibility for the overall governance of IIA-Australia including its strategic direction and budgets. It has a Board Charter that clearly defines its responsibilities and those of management.

The Board monitors the performance of management and evaluates its performance against the achievement of the business plan.

The management framework includes Board appointed Committees that work diligently with management. These include the:

- › Audit & Risk Committee
- › Education Committee
- › Executive Committee
- › Disciplinary & Review Committee
- › Nominations Committee
- › Remuneration Committee
- › Youth Leadership Committee

Principle 2: Structure the board to add value

The IIA-Australia Constitution determines the composition of the Board, with directors subject to election by a vote by members.

The Chair and Board members are independent directors. The Chief Executive Officer is not a director.

As a professional member organisation, we benefit from having highly experienced and respected internal audit practitioners as directors, committed to the achievement of the objects of IIA-Australia.

Selection of directors

The directors in office at the date of this statement are set out in the Directors' Report on page 17.

Biographical details outlining skills, expertise and experience of each director are provided in the Board Profile on pages 19 to 22.

Directors are selected by the Nominations Committee which is guided by a skills matrix which sets out the mix of skills and diversity that the Board is seeking to fill.

Nominations Committee

The Nominations Committee comprises seven members selected from amongst the Directors and the membership at large. The Committee includes the President and one other director; with other members being senior, respected members of the profession.

The Committee elects its Chairperson; the Chairperson cannot be a director.

The constitution provides for a maximum of 13 directors and a minimum of three. All members of the Board are independent directors. Directors are elected for a two-year term. There is no limit on the number of terms that a director can be elected, however, the Nominations Committee can recommend that a sitting director not be considered for re-election.

The Nominations Committee recommends to the Board a slate of candidates for election by the members.

Board Performance

Newly elected directors are provided with a comprehensive induction.

IIA-Australia encourages all directors to complete the Company Directors' Course, at IIA-Australia's expense, as part of their professional development.

The Board regularly undertakes board performance reviews.

Principle 3: Act ethically and responsibly

The Board acts ethically and responsibly in its decision-making and the Code of Conduct for office bearers is included in the Board Charter available at <https://www.iaa.org.au/about-iaa-australia/howWeWork/theBoard.aspx>

All employees and contractors, on appointment, are required to attest that they have read and agree to abide by a Code of Conduct during their term of employment.

Directors are required to certify that they will disclose any interest, position, association or relationship that may compromise their independence as a director.

The Board takes seriously its legal obligations and has regard to the reasonable expectations of all stakeholders.

Principle 4: Safeguard integrity in corporate reporting

There are two non-executive directors on the Audit & Risk Committee. It is chaired by a non-executive director, who is not the chair of the Board. There are three other members of IIA-Australia on the Committee. Their relevant qualifications and experience are shown on page 21.

The individual attendances of the members of the Audit & Risk Committee at meetings throughout the year is shown on page 18.

The Charter of the Audit & Risk Committee is on the IIA-Australia website www.iaa.org.au

The Chief Executive Officer and the Finance Manager have provided signed statements to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial position and that opinion has been formed on the basis of a sound system of risk management and internal control.

The IIA-Australia external auditor attends the AGM to answer questions from members.

Principle 5: Make timely and balanced disclosure

IIA-Australia discloses to members and other key stakeholders material information that may affect the organisation from time to time.

Our website, www.iaa.org.au provides comprehensive and up-to-date information about member benefits and services, professional development events, technical resources, news, media releases, advocacy initiatives and corporate governance.

Principle 6: Respect the rights of security holders

The Board carefully considers the rights of all members of IIA-Australia. It provides members with information about IIA-Australia's financial situation, performance and governance, major initiatives and future strategy, and policy and advocacy by a range of methods.

Methods of communication include the fortnightly News Update email, the IIA-Australia website, the Annual Report and Annual General Meeting.

The external auditor is invited to attend the AGM and be available to answer questions about the conduct of the audit, and the preparation and content of the auditor's report.

Principle 7: Recognise and manage risk

The Audit & Risk Committee oversees risk and compliance on behalf of the Board.

The Audit & Risk Committee reviews the Risk Assessment and Risk Management Plan three times a year and these findings are reported through to the Board.

The Board reviews and approves the Risk Policy, the Risk Management Framework, and Risk Management Plan annually.

IIA-Australia outsources its internal audit function to PwC. A rolling four year Audit Plan is reviewed annually and adjusted according to the changing risk profile that IIA-Australia faces. Typically two internal audits are conducted annually on different operational areas of IIA-Australia.

IT infrastructure and services are hosted in the cloud by an outsourced provider. In the event of a significant IT disruption, the provider has a robust disaster recovery plan in place to restore services.

Management and all staff participate in a Business Continuity Plan scenario exercise once every two years.

Principle 8: Remunerate fairly and responsibly

The Remuneration Committee comprises the President, a director and a third director or external member.

The Charter of the Remuneration Committee is on the IIA-Australia website www.iaa.org.au

Attendance at meetings of the committee is shown in the Directors' Report on page 18.

An annual salary and bonus review process is in place for all staff. Payments of any salary and bonus amounts are market-driven, performance-based and discretionary.

The Constitution prohibits remuneration of any director in his or her capacity as a member of the Board. Directors act in an honorary role and no board fees are paid to the directors

FINANCIALS

Directors' Report

Your directors present their report on the company for the financial year ended 31 December 2017.

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

Stephen Coates PFIIA CIA CGAP CRMA

Claire Hamilton PMIIA

Mark Harrison PMIIA CIA CRMA

Gregory Hollyman PFIIA CIA QIAL CCSA CFSA CGAP CRMA

Kylie McRae PMIIA CIA

Lee Sullivan PMIIA

Stephen Tiley* PMIIA CIA

Bruce Turner AM PFIIA CGAP CRMA

*Appointed 4 May 2017

Resigned Director

Stephen Horne** PFIIA CIA CGAP CRMA

**Retired 4 May 2017

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 deficit for the year ended 31 December 2017 of \$192,000 (2016 deficit: \$35,523). The 2017 deficit was anticipated and a deficit of \$190,000 was forecast in the 2017 budget. The reason for the deficit was due to IIA-Australia not conducting its annual SOPAC® conference. In its place, IIA-Australia hosted the 2017 International Conference. Under the terms of the agreement with IIA Inc., 70 percent of the net contribution from the international conference was remitted to IIA Inc. This resulted in IIA-Australia receiving a significant, one-off, shortfall in revenue for the year.

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.

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 38.

BOARD INFORMATION

Attendance at Directors' Meetings

In 2017 attendance by Directors (including when represented by alternates) at meetings they were entitled to attend, was as follows:

Director	Board		Executive		Audit & Risk		Remuneration		Nominations		Education		Disciplinary & review	
	A	E	A	E	A	E	A	E	A	E	A	E	A	E
David Barry PFIIA CRMA	6	6	38	44							3	4		
Stephen Coates PFIIA CIA CGAP CRMA	6	6	28	29			2	2						
Claire Hamilton PMIIA	6	6	15	15	3	3								
Mark Harrison ¹ PMIIA CIA CRMA	6	6	25	29					4	4				
Stephen Horne ² PFIIA CIA CGAP CRMA	2	2												
Gregory Hollyman ¹ PFIIA CIA QIAL CCSA CFSA CGAP CRMA	6	6											3	3
Kylie McRae PMIIA CIA	6	6							3	3			1	3
Lee Sullivan ¹ PMIIA	5*	6	15	15			2	2	1	1				
Stephen Tiley ¹ PMIIA CIA	4	4												
Bruce Turner ¹ AM PFIIA CGAP CRMA	4*	6			3	3								
Co-opted Committee Members:														
Catherine Blunt ² PFIIA CIA							2	2						
Ian Rodin FIIA(Aust)					3	3								
Linda Veronese PMIIA					3	3								
Judith Charlton MIIA(Aust)					3	3								
Stefano Giorgini ⁴ PMIIA CRMA									2	2				
David Aiton PMIIA									3	4				
Tracey Lawrance ³ PFIIA									1	2				
Barry Munns PFIIA									4	4				
Nicola Rimmer PFIIA CIA QIAL									4	4				
Suresh Cuganesan ⁵ PMIIA											3	4		
Joseph Christopher PMIIA											2	4		
Philomena Leung PMIIA											3	4		
Dominic Soh MIIA(Aust)											4	4		
Andrea Cummings MIIA(Aust)											2	4		
Matthew Tolley PMIIA GradCertIA											3	4		
Alison Flakemore PMIIA CIA													3	3
Liesel Samuel PMIIA CIA													2	3
Julie Young – Company Secretary	6	6			3	3			4	4			3	3

¹ Appointed/Re-appointed 4 May 2017

² Resigned 4 May 2017

³ Resigned 1 June 2017

⁴ Resigned 25 August 2017

⁵ Resigned 30 November 2017

*Approved leave overseas meetings

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.

Mark Harrison PMIIA CIA CRMA BBus CA President

Mark is a Managing Director with Protiviti and is a respected member of the internal audit community in Australia, particularly in the ACT. Over a career spanning 25 years he has provided internal audit services in Australia and globally, in a range of sectors including the public sector, healthcare, financial services, hospitality and energy and utilities. 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 ACT and NSW Chapter Councils. He was co-chair of SOPAC 2013; Chair, Public Sector Conference 2008+; and member of IIA-Australia Policy and Technical committees. Mark is a member of the IIA-Australia Executive Committee, Remuneration Committee and Nominations Committee. He was Chair, Host Country Committee for the IIA International Conference 2017 and is a member of the Global Professional Development Committee. In 2017, Mark was also elected as the Secretary of the Asian Confederation of Institutes of Internal Auditors (ACIIA). Mark also serves as Deputy Chair, Board of Southern NSW Local Health District.

David Barry PFIIA CRMA BEc CA GAICD Vice President

David is Chief Risk Officer, Insurance & Wealth Solutions, AMP Limited. He is an experienced governance, risk and assurance professional with over 30 years' industry experience. In those years David has specialised in the provision of governance, risk and assurance 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 previous member of the CAE Service steering committee. David is a member of the IIA-Australia Executive Committee and of the IIA-Australia Education Committee. He served on the IIA-Australia Remuneration Committee (to May 2015).

Stephen Coates PFIIA CIA CISA CGAP CRMA BCom(Acc) CSQAM MAICD JP(Qual) Vice President

Stephen has extensive assurance & advisory experience specialising in governance, risk, and assurance services. He consults to clients on strengthening business processes and strategies to achieve results in a measured and controlled manner. He also leads internal audit coaching and mentoring events in Australia and overseas. Stephen is a Director at Prosperity, a mid-tier professional services firm. He has been a continuous member of IIA-Australia for over 30 years; and has presented at conferences and member meetings across Australia. He is a Vice-Chair of the IIA's global Information Technology Guidance Committee. Stephen is a member of the IIA-Australia Executive Committee and of the IIA-Australia Remuneration Committee.

Claire Hamilton PMIIA BA(Hons) CA(ICAEW) GAICD GIA(Cert)

Claire is Executive General Manager Governance and Company Secretary 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 20 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. She is a member of the IIA-Australia Audit & Risk Committee and was a member of the IIA-Australia Executive Committee (May 2015 to May 2016). Claire is also a director of the Energy & Water Ombudsman of Victoria.

Stephen Horne* PFIIA CIA CGAP CRMA GAICD FGIA
BBus Grad Cert Mgt Comm Grad Cert Fraud Control

Stephen is a professional non executive Director, and Principal, Checks Balances and Integrity, following 38 years in the NSWG in such roles as Assistant Auditor-General (Performance Audit) and CEO of the Internal Audit Bureau. Stephen joined the National Board in 2009*, was President and Chair of the Australian Board 2013-2015, is a current Director of the IIA Global Board and Chair of the IIA Global Public Sector Guidance Committee.

*Retired 4 May 2017

Greg Hollyman PFIIA CIA QIAL CCSA CFSA CGAP
CRMA CISA CFE B.Compt (Hons.) GAICD

Greg is an experienced Chief Audit Executive with over 25 years internal audit experience across the public (Federal, State and Local Government), financial services, mining and consulting sectors in both Australia and South Africa. He has been a member of the IIA-Australia since 2008 and a member of IIA since 1995. Greg is an active supporter and advocate of internal audit through various roles which have included Chair Victoria Chapter, President of IIA South Africa, Vice Chair of IIA Global Ethics Committee, Chair of the IIA Global Public Sector Committee and Chair of the IIA Global Institute Relations Committee. He is currently Chair of the IIA-Australia's Disciplinary & Review Committee. Greg has made numerous national and international presentations on internal audit and risk management and has contributed to various IIA publications.

Kylie McRae PMIIA CIA MBA (Exec) GAICD FCPA BCom

Kylie is a Principal with O'Connor Marsden & Associates and has over 25 years' experience providing assurance, governance and risk management advice and support. She has led Internal Audit functions in both the public and private sectors. She is passionate about using effective organisational governance and risk management to drive improved organisational performance and enhance value. Kylie was a Vice Chair and Councillor of the NSW Chapter Council (2012 – May 2016) and is a member of the IIA-Australia's Disciplinary & Review Committee and the Nominations Committee. She is a GradCertIA marker and Professional Member assessor in the Assessment of Current Competence option. She has presented at both the Local Government Forum and SOPAC. Kylie is a Director (and Treasurer) of her local Branch of Bendigo Bank, and is a Past Chair and member of Audit, Governance and Risk Committees in the local government sector.

Lee Sullivan PMIIA BCom MBA(Exec)
ANZIIF(Fellow) CA

Lee is the Chief Risk Officer – IAG Asia, 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 served as President (May 2015-May 2017) and chaired the IIA-Australia Executive Committee and the IIA-Australia Remuneration Committee during this time. He was a member of the IIA-Australia Nominations Committee (May 2015-May 2017). 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.

Stephen Tiley* PMIIA CIA GAICD BCompt

Stephen is the Chief Audit and Assurance Officer Mercy Health. Previous roles include Global Vice President Assurance at BHP Billiton and the Head of Internal Audit for South African Breweries. He has a proven track record as an executive and business advisor, working with Boards, Audit Committees and Senior Executives, within national and multi - national organisations. Stephen is an accredited IIA Internal Audit Quality Assessor and Validator, has conducted a number of quality assurance reviews and has written internal audit methodologies. He has been a Member of the IIA-Australia since 2005 and served as Chair IIA-Australia Victoria Chapter Council. He was a member of IIA South Africa from 1996 and served as one of its Directors. Stephen is a former member of the IIA's Ethics Committee and is currently, a publications reviewer for the IIA Global. Stephen is also a member of the Aged & Community Services Australia Finance and Audit Committee. He joined the IIA-Australia Board in 2017 and is the Board liaison with Chapter Chairs.

*Appointed 4 May 2017

Bruce Turner AM PFIIA CGAP CRMA CISA CFE MAICD
FIPA FFA FFin FIML JP

Bruce currently sits as a Director on several boards and is the Chair of several audit committees including that of IIA-Australia. He has occupied a number of major CAE roles, including at the ATO. Bruce has an established track record of excellence and achievement in the oversight, 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 nationally and internationally. He is a Bob McDonald Award winner. Bruce was appointed a Member (AM) in the Queen's Birthday Honours of 2015 in recognition of his significant service to public administration through governance and risk management practices, and to the profession of internal auditing.

Chief Executive Officer

Peter Jones RFD FGIA GAICD 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: Mark Harrison PMIIA CIA CRMA, Dave Barry PFIIA CRMA, Stephen Coates* PFIIA CIA CGAP CRMA, Claire Hamilton** PMIIA, Lee Sullivan** PMIIA, Peter Jones

*Appointed 4 May 2017 ** Retired 4 May 2017

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 AM PFIIA CGAP CRMA CISA CFE MAICD FIPA FFA FFin FIML JP, Claire Hamilton PMIIA BA(Hons) CA(ICAEW) GAICD GIA(Cert), Ian Rodin FIIA(Aust) BSc ACA ARCS FAIM GAICD, Linda Veronese PMIIA BComm (Melb) GAICD, Judith Charlton MIIA(Aust) FCCA

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: Mark Harrison PMIIA CIA CRMA BBus CA, Stephen Coates PFIIA CIA CGAP CRMA, Greg Hollyman* PFIIA CIA QIAL CCSA CFSA CGAP CRMA CISA CFE B.Compt (Hons.) GAICD, Lee Sullivan PMIIA**, Catherine Blunt** PFIIA CIA

*Appointed 4 May 2017 ** Resigned 4 May 2017

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: Barry Munns PFIIA, David Aiton PMIIA, Mark Harrison PMIIA CIA, Kylie McRae* PMIIA CIA, Nicola Rimmer PFIIA CIA QIAL, Stefano Giorgini**** PMIIA CRMA, Tracey Lawrance*** PFIIA, Lee Sullivan** PMIIA

*Appointed 4 May 2017 ** Retired 4 May 2017 ***Resigned 31 March 2017 ****Resigned 25 August 2017

The role of the Nominations 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 Nominations Committee is not a policy making body, but assists the Board by implementing Board policy and recommending nominations which require Board approval.

Education: Dr Philomena Leung, Associate Dean International & Corporate Engagement and Professor of Accounting, Macquarie University; Dr Suresh Cuganesan* Professor of Organisational Control and Performance; Academic Director, The John Grill Centre for Project Leadership, University of Sydney, Dr Joseph Christopher Lecturer Senior Lecturer, School of Accounting, RMIT University; Dominic Soh Lecturer, Macquarie University; David Barry, Chief Risk Officer, Insurance & Wealth Solutions, AMP Ltd; Andrea Cummings General Manager Internal Audit, Medibank Private; Matthew Tolley Director, Practice Management, Department of Human Services. All committee members are members of the IIA-Australia.

*Resigned 30 November 2017

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.

Disciplinary & Review: Greg Hollyman PFIIA CIA QIAL CCSA CFSA CGAP CRMA, Kylie McRae PMIIA CIA, Alison Flakemore PMIIA CIA, Liezel Samuel PMIIA CIA

The role of the Disciplinary & Review Committee is to assist the Board in ensuring the highest standards of conduct and performance of its members. The Committee investigates complaints received and advises on disciplining members. The Board Disciplinary & Review Committee is not a policy making body, but assists the Board by implementing Board policy.

Youth Leadership Committee: Jessica Chiang AMIIA, Beau-Dean Gosper AMIIA GradCertIA, Megan Goss AMIIA, Melissa Grantham PMIIA GradCertIA, Alex Hardy PMIIA GradCertIA, Sarah Humphris PMIIA GradCertIA, Alissa Irgang AMIIA, Daniel Whiteman AMIIA.

The IIA-Australia Youth Leadership Committee is a select group of young internal auditors who engage with the IIA-Australia Board and staff to recommend strategies and approaches to better engage with other young internal auditors and encourage membership of IIA-Australia.

All members appointed 8 September 2017.

Mission

To advance the profession and practice of internal auditing.

Vision

Internal audit professionals are sought after as trusted advisors to boards and executives.

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.



Mark Harrison PMIIA CIA CRMA
President and Chairman of the Board
26 March 2018

Statement of Profit or Loss and other Comprehensive Income for the Year Ended 31st December 2017

	Note	2017 \$	2016 \$
Revenue from operating activities			
Subscriptions revenue		1,292,317	1,349,170
Continuing professional education		1,446,205	2,448,584
Internal audit quality assessment		508,646	596,366
Other activities		53,828	64,872
Total revenue from operating activities		3,300,996	4,458,992
Revenue from non-operating activities			
Interest		17,349	31,409
Total revenue from ordinary activities		3,318,345	4,490,401
Continuing professional education		(617,591)	(1,571,906)
Depreciation of property, plant & equipment		(12,633)	(25,892)
Amortisation of intangible assets	8	(111,791)	(192,597)
Operating lease rental expense		(219,198)	(243,153)
Salaries and personnel costs		(1,504,685)	(1,433,734)
Administrative expenses		(319,597)	(307,328)
Other expenses from ordinary activities		(693,156)	(749,492)
Bad and doubtful debts		(31,694)	(1,822)
Total expenses from ordinary activities		(3,510,345)	(4,525,924)
Deficit from ordinary activities before income tax		(192,000)	(35,523)
Income tax expense		-	-
Net deficit from ordinary activities after income tax expense		(192,000)	(35,523)
Other Comprehensive Income for the year, net of tax			-
Total Comprehensive loss for the year		(192,000)	(35,523)

Above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statement of Financial Position as at 31st December 2017

	Note	2017 \$	2016 \$
Current Assets			
Cash and Cash Equivalents	3	678,378	462,092
Trade and Other Receivables	4	315,296	242,651
Inventories		41,892	28,929
Prepayments and Other Assets	5	157,027	310,933
Financial Assets	6	749,000	800,000
Total Current Assets		1,941,593	1,844,605
Non-Current Assets			
Financial Assets	6	140,716	140,716
Plant and Equipment	7	16,095	28,728
Intangibles	8	169,924	261,203
Total Non-Current Assets		326,735	430,647
TOTAL ASSETS		2,268,328	2,275,252
Current Liabilities			
Trade and Other Payables	9	284,906	277,175
Provisions	10	97,398	85,879
Deferred Income	12	815,290	650,041
Total Current Liabilities		1,197,594	1,013,095
Non-Current Liabilities			
Provisions	10	106,331	(105,754)
Total Non-Current Liabilities		106,331	105,754
TOTAL LIABILITIES		1,303,925	1,118,849
NET ASSETS		964,403	1,156,403
Members Funds (Equity)			
Retained Surplus		964,403	1,156,403
Total Members Funds (Equity)		964,403	1,156,403

Above statement of financial position should be read in conjunction with the accompanying notes

Statement of Changes in Equity for the Year Ended 31st December 2017

	Retained Surplus \$	Total Equity \$
Balance at 1st January 2016	1,191,926	1,191,926
Deficit after income tax for the year	(35,523)	(35,523)
Other comprehensive income	-	-
Total comprehensive loss for the year	(35,523)	(35,523)
Balance at 31st December 2016	1,156,403	1,156,403
Balance at 1st January 2017	1,156,403	1,156,403
Deficit after income tax for the year	(192,000)	(192,000)
Other comprehensive income	-	-
Total comprehensive loss for the year	(192,000)	(192,000)
BALANCE AT 31ST DECEMBER 2017	964,403	964,403

Above statement of changes in equity should be read in conjunction with the accompanying notes

Statement of Cash Flows for the Year Ended 31st December 2017

	Note	2017 \$	2016 \$
		Inflows (Outflows)	Inflows (Outflows)
Cash Flow from Operating Activities			
Receipts from subscriptions		1,537,706	1,484,087
Receipts from conferences and other activities		2,126,427	2,764,098
Payments to suppliers and employees		(3,496,854)	(4,726,755)
Interest received		26,955	15,804
Net cash provided by / (used in) operating activities	13	194,234	(462,766)
Cash Flow from Investing Activities			
Purchases of plant and equipment		-	(10,892)
Purchases of intangible assets		(20,510)	(156,710)
Net redemptions/(investments) in term deposits		51,000	(821,580)
Net cash provided by / (used in) investing activities		30,490	(989,182)
Cash Flow from Financing Activities		-	-
Net Increase/(Decrease) in Cash and Cash Equivalents		224,724	(1,451,948)
Cash and cash equivalents at the beginning of the financial year		462,092	1,904,589
(Loss)/Gain on Foreign Currency translation		(8,438)	9,451
Cash and Cash Equivalents at the End of the Financial Year	3	678,378	462,092

Above statement of financial position should be read in conjunction with the accompanying notes

CORPORATE INFORMATION

The financial report of the company for the year ended 31 December 2017 was authorised for issue in accordance with the resolution of the Directors on 26 March 2018.

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 and interpretations issued by the Australian Accounting Standards Board (AASB), as appropriate for not for profit oriented entities.
- › 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 judgement in the process of applying the IIA-Australia'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.

ii. Employee Benefits Provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 amended 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 IIA-Australia. The information on revised or amended Australian Accounting Standards and Interpretations is presented below:

- › Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 2015-6)
- › Annual Improvements 2012-2014 (AASB 2015-1)
- › Disclosure Initiative: Amendments to AASB 101 (AASB 2015-2)
- › Annual improvements 2014-2016 cycle (AASB 2017-2)
- › AASB issues narrow scope amendments to AASB 107 Statement of cash flows (AASB 2016-2)

The adoption of the above amendments has not had a material impact on the IIA-Australia.

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 IIA-Australia for the annual reporting period ended 31 December 2017. Directors have not assessed the impact of new or amended standards yet. The following new or amended standards are applicable:

- › AASB 9 Financial Instruments and its consequential amendments;
- › AASB 15 Revenue from Contracts with Customers
- › AASB 16 Leases
- › AASB 1058 Income for Not-for-Profit Entities

Inventories

e. Inventories 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 be 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 had been assessed as 7 years and was fully written off in 2017. The intangibles include costs related to the upgrade of Aptify Database. It is expected to be ready for use in early 2018.

The reregistration for the Graduate Certificate was renewed in 2017 by the Tertiary Education Quality and Standards Agency (TEQSA) for a period of 7 years. The amortisation period for costs associated with attaining the reregistration as a higher education institution and development of the "Graduate Certificate in Internal Auditing" has been assessed as seven years being the duration of the registration.

The intangibles also include Website and IT developments which are amortizing over 4 years.

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.

j. IIA-Australia undertakes to 'make-good' the property at the expiration of the lease. Management engaged third party to estimate the costs that will be incurred to refurbish the property and to return it to the required condition as set out in the Lease Agreement. The estimated costs are discounted to present value using a pre-tax discount rate (incremental borrowing rate) and recorded as a provision for make good in the statement of financial position until such time that the make good costs are incurred. The present value of the estimated make good costs is reviewed each year.

Employee entitlements

- k. 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

- l. 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, cash and term deposits.

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 3 months or less. During the year, IIA-Australia held three term deposit accounts.

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

- m. From 1st July 2017, majority of memberships have a common anniversary date from 1st July to 30th June. Membership subscription revenue is recognised pro-rata over this 12 month period. Only those membership fees that are attributable to the current financial year (1st January to 31st December) 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 2018 year but received prior to 31 December 2017 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

- n. 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.

Income tax liability

- o. 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)

- p. 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

- q. 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.

Comparative figures

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

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.

Note 3: Cash and Cash Equivalents

	2017 \$	2016 \$
Cash at bank and on hand	678,378	462,092

The IIA-Australia's cash equivalents are cash held on deposit with original maturity of less than three months.

Note 4: Trade and Other Receivables

	2017 \$	2016 \$
Trade receivables (a)	335,362	225,360
Provision for Doubtful Debts	(27,751)	-
Interest receivable	7,685	17,291
	315,296	242,651

- a. All current debts, net of doubtful debts provision, are expected to be paid within credit terms. Bad Debts amounting to \$3,943 were written off during FY2017 (FY2016: \$1,822).

Note 5: Prepayments and Other Assets

	2017 \$	2016 \$
General Event Prepayments	99,915	238,350
Prepaid Insurance	20,373	21,731
Other Prepayments	36,739	50,852
	157,027	310,933

Note 6: Financial Assets Held to Maturity

	2017 \$	2016 \$
Current Financial Assets – Term Deposits	749,000	800,000
Non-Current Financial Assets – Term Deposits	140,716	140,716
	889,716	940,716

Non-Current term deposit held by the IIA-Australia is in support of bank guarantee, required by the lessor for the lease of premises for national office. Hence, this term deposit is excluded from Cash and Cash Equivalents.

Note 7: Plant and Equipment

	Plant and equipment		Furniture and fittings		Leasehold		Total plant and equipment	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Cost	237,424	237,424	63,337	63,337	65,793	65,793	366,555	366,555
Accumulated depreciation	(221,330)	(209,053)	(63,337)	(62,981)	(65,793)	(65,793)	(350,460)	(337,827)
Total plant & equip at written down value	16,095	28,371	0	356	-	-	16,095	28,728

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		Leasehold		Total plant and equipment	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Balance at beginning of the year	28,371	28,738	356	2,132	-	12,859	28,728	43,729
Additions	-	10,892	-	-	-	-	-	10,892
Disposals/transfers	-	-	-	-	-	-	-	-
Depreciation expense	(12,277)	(11,258)	(356)	(1,776)	-	(12,859)	(12,633)	(25,893)
Carrying amount at the end of year	16,095	28,371	-	356	-	-	16,095	28,728

Note 8: Intangibles

	2017 \$	2016 \$
Database at cost	670,547	655,037
Software at cost	133,464	133,464
Graduate Certificate in Internal Auditing at cost	508,025	503,025
Less Accumulated Amortisation	(1,142,112)	(1,030,323)
	169,924	261,203

Reconciliation

	Aptify Database		Software		Graduate Certificate		Total Intangibles	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Balance at beginning of the year	179,082	186,281	3,463	-	78,660	93,505	261,205	279,787
Additions	15,510	81,210	-	-	5,000	75,500	20,510	156,710
Disposals/transfers	-	11,880	-	5,425	-	-	-	17,305
Amortisation expense	(103,952)	(100,289)	(1,812)	(1,962)	(6,027)	(90,345)	(111,791)	(192,597)
Carrying amount at the end of year	90,640	179,082	1,651	3,463	77,633	78,660	169,924	261,205

Note 9: Trade and Other Payables - Current

	2017 \$	2016 \$
Trade creditors	82,583	121,819
Other creditors	39,786	43,351
Accrued expenses	134,987	106,416
Lease Liability	21,361	-
Research foundation	6,189	5,589
	284,906	277,175

Note 10: Provisions

Part A: Employee Entitlements

	2017 \$	2016 \$
Balance at the beginning of year	91,256	109,460
Additions to provision	107,127	96,802
Leave taken during the year	(96,259)	(115,006)
Balance at the end of year	102,124	91,256

Analysis of employee entitlement provision

	2017 \$	2016 \$
Current provision	97,398	85,879
Non-current provision	4,726	5,377
	102,124	91,256

All current leave entitlements are expected to be consumed within 12 months. Non-current provision is in respect of long service leave for staff employed by IIA-Australia for less than 10 years but greater than 5 years.

Part B: Make Good Provision

	2017 \$	2016 \$
Non-current make good provision	101,605	100,377

Part C: Total Provisions

	2017 \$	2016 \$
Current provision	97,398	85,879
Non-current provision	106,331	105,754
	203,729	191,633

Note 11: Leasing Commitments

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

	2017 \$	2016 \$
No longer than one year	151,307	142,999
Longer than one year but not longer than five years	415,640	566,947
	566,947	709,946

The current office premises have been leased for a period of 5 years. This lease will expire in June 2021.

Note 12: Deferred Income

	2017 \$	2016 \$
Members' fees	620,710	504,552
Development courses and certifications	145,704	116,234
Conferences	48,876	9,255
External Quality Assessment	-	20,000
Balance at the end of year	815,290	650,041

Note 13: Cash Flows Reconciliation

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

	2017 \$	2016 \$
Net (deficit) from ordinary activities	(192,000)	(35,523)
Non-cash flow from ordinary activities:		
Depreciation	12,633	25,892
Amortisation	111,791	192,596
Provision for doubtful debts	27,751	-
Write Off of Bad Debts	3,943	1,822
Loss/(Gain) on Foreign Currency translation	8,438	(9,451)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(104,341)	23,592
Decrease in prepayments	153,906	11,213
(Increase)/decrease in inventory	(12,963)	3,406
Increase/(decrease) in provision for employee entitlements	10,868	(18,204)
Increase/(decrease) in trade and other payable	7,731	(90,300)
Increase/(decrease) in deferred revenue	165,249	(668,188)
Increase in make good provision	1,228	100,377
Net cash provided by / (used in) operating activities	194,234	(462,766)

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 original maturity of less than three 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 14: 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	2017	2016
Bruce Turner	Bruce Turner & Associates	Facilitation of Inhouse Training	\$1,250	\$24,215
Stephen Coates	Sustainable Strategy Development	Facilitation of Professional Development training courses.	\$6,300	\$21,564
Kylie McRae	O'Connor Marsden & Associates	Marking for GradCertIIA	\$1,000	\$4,400

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. Fees were determined on an arm's length basis.

The IIA-Australia also entered into related party transactions with The Institute of Internal Auditors, Inc. (IIA Inc). The IIA Inc. provides various members' related services to IIA-Australia. The cumulative total of payments made by IIA-Australia to IIA Inc. for related party transactions is \$163,000 in 2017 and \$281,000 in 2016. From 2017, IIA-Australia also received royalty payments for CIA exam sittings and registration from IIA Inc. These payments totalled \$24,000 for 2017. International Conference 2017 was held in Sydney for which IIA-Australia also received a share of \$610,000 including the Conference revenue share and expense reimbursements from IIA Inc.

b. The names of all Directors who have held office during the financial year are outlined in the table of 'Board Information' on page 18 of this Directors Report. No directors received any remuneration for their services as a director of IIA-Australia.

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. The aggregate compensation made to members of key management personnel of the company is set out below:

Compensation by category

	2017 \$	2016 \$
Short term employee benefits	711,401	728,590
Other long-term benefits	23,119	28,113
	734,520	756,703

Note 15: Auditor's remuneration

During the financial year the following fees were paid or payable for services provided by UHY Haines Norton, the auditor of the IIA-Australia:

Audit services – UHY Haines Norton

	2017 \$	2016 \$
Audit of the financial statements	21,859	26,950
Other audit related services	-	1,350
Total	21,859	28,300

Note 16: 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.

Net fair values

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 Statement of Financial Position and in the notes to the Financial Statements.

Credit risk

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 Statement of Financial Position 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.



Currency Risk

The IIA-Australia has established a foreign exchange account in United States dollars to minimize the exposure to exchange rate fluctuations. Movements in the foreign exchange rates will impact the value of cash held in foreign currency at the reporting date. The carrying value of cash held in foreign currency disclosed in the Statement of Financial Position is translated to local currency using spot rate as at 29 December 2017.

Interest rate risk

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	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Cash at bank	0.07	0.1	222,640	146,996	-	-
Deposits at call	1.05	0.36	455,339	314,696	-	-
Term deposits	2.53	2.78	-	-	889,716	940,716
Total financial assets			677,978	461,692	889,716	940,716

Term deposits held by the IIA-Australia comprise of: Term Deposit held in support of bank guarantee required by the lessor for the lease of premises for national office, and term deposits established for financing activities. 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.

Liquidity Risk

Vigilant liquidity risk management requires the IIA-Australia to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

IIA-Australia manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property and equipment, intangibles and investments in working capital. These assets are considered in the IIA-Australia's overall liquidity risk.

Maturity Analysis - 2017

	Cash Flows \$	1 Year \$	2-5 Years \$	Total \$	Carrying Amount \$
Financial assets					
Trade and other receivables - net	307,611	307,611	-	307,611	307,611
Term deposits with accrued interest	912,333	768,100	144,234	912,333	889,716
TOTAL	1,219,944	1,075,711	144,234	1,219,944	1,197,327
Financial Liabilities					
Trade creditors and other payables	284,906	284,906	-	284,906	284,906
TOTAL	284,906	284,906	-	284,906	284,906
NET MATURITY	935,038	790,805	144,234	935,038	912,421



Maturity Analysis - 2016

	Cash Flows \$	1 Year \$	2-5 Years \$	Total \$	Carrying Amount \$
Financial assets					
Trade and other receivables - net	225,360	225,360	-	225,360	225,360
Term deposits with accrued interest	967,105	822,520	144,585	967,105	940,716
TOTAL	1,192,465	1,047,880	144,585	1,192,465	1,166,076
Financial Liabilities					
Trade creditors and other payables	277,175	277,175	-	277,175	277,175
TOTAL	277,175	277,175	-	277,175	277,175
NET MATURITY	915,290	770,705	144,585	915,290	888,901

Note 17: Segment Reporting

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

Note 18: 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 19: Contingent Liabilities

There are no contingent liabilities as at 31 December 2017 (2016: Nil).

Directors' Declaration

The Directors of the company declare that:

1. The financial statements and notes from page 17 to 35 are in accordance with the *Corporations Act 2001*:
 - a. comply with Australian Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting standards; and
 - b. give a true and fair view of the financial position as at 31 December 2017 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.



Mark Harrison PMIIA CIA CRMA
President and Chairman of the Board
26 March 2018

Independent Auditor's Report to the Members of the Institute of Internal Auditors-Australia

Opinion

We have audited the financial report of the Institute of Internal Auditors-Australia ("IIA – Australia"), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. giving a true and fair view of IIA - Australia's financial position as at 31 December 2017 and of its financial performance for the year then ended; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of IIA - Australia in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

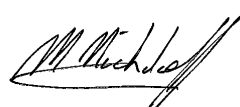
Responsibilities of the Directors' for the Financial Report

The directors of IIA - Australia 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*. The directors' responsibility also includes 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.

In preparing the financial report, the directors are responsible for assessing IIA - Australia's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate IIA - Australia or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.



Mark Nicholaeff
Partner
26 March 2018
Sydney



UHY Haines Norton
Chartered Accountants

Institute of Internal Auditors-Australia

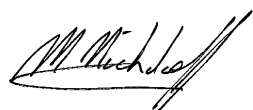
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF THE INSTITUTE OF INTERNAL AUDITORS-AUSTRALIA

As auditor for the audit of the Institute of Internal Auditors-Australia for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

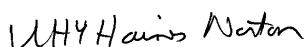
a. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of the Institute of Internal Auditors-Australia.



Mark Nicholaeff
Partner
26 March 2018
Sydney



UHY Haines Norton
Chartered Accountants

Honour Roll

Without the commitment of volunteers, IIA-Australia could not have achieved what it did in 2017. We are proud to honour the following volunteers. We also thank our sponsors, exhibitors and other contributors throughout the year.

Name	Company
Neil Adams PFIIA CIA	Adams Consulting & Training Pty Ltd
David Aiton PMIIA	Department of Mines & Petroleum
Rizwana Ali PMIIA CIA CRMA	AMP
Gary Anderson PMIIA CIA	Protiviti
Paul Apps	Retired
Sian Ashdown AMIIA	PwC
Andrew Baldwin PMIIA CIA	Deloitte
Dave Barry PMIIA	AMP
Simon Beaton AMIIA	MyState Limited
Freddy Beck PFIIA CIA CCSA	Ipswich City Council
Eric Beere AMIIA	KPMG
Chris Bennecke PMIIA CIA CRMA	CB Advisory Services
David Berechree AMIIA	Hydro Tasmania
Nicola Bingham AMIIA	Deloitte
Catherine Blunt PFIIA CIA	O'Connor Marsden & Associates
Pieter Bosua CGAP AMIIA	Callida Consulting
Christopher Bowdler AMIIA	Retired
John Boyd AFIIA	Anglican Church Southern Queensland
Des Brady AFIIA	The Institute of Internal Auditors-Australia
Melissa Brooks AMIIA	EY
Liam Buckley PMIIA	QBE Insurance Group Limited
Shannon Buckley PMIIA CIA	Deakin University
Sheila Bulandran PMIIA GradCertIA	BDO
Peter Byrnes AMIIA	Deloitte
John Chan PMIIA CIA	KPMG
Judith Charlton AMIIA	AMP
Jessica Chiang AMIIA	BDO Australia
Sisley Ching PMIIA CIA CRMA	Westpac Group
Vivek Chopra AMIIA	St Vincent de Paul Society Queensland

Name	Company
Joseph Christopher PMIIA	RMIT University
Stephen Coates PFIIA CIA CGAP CRMA	Prosperity Advisers Group
Natasha Cornell AMIIA	Fortescue Metals Group Limited
Suresh Cuganesan PMIIA	The University of Sydney
Andrea Cummings AMIIA	Medibank Private
Barry Davidow PFIIA CRMA	ICAC
Helen De Guzman	Manila Electric Company
Sebastian de Konig AMIIA	BHP Billiton
Mariano De Souza PMIIA CIA	Origin Energy
Michael-Angel Del Castillo PMIIA CIA	Airservices Australia
Paul Deschepper PMIIA CIA	Australia Post
Phil Draber PMIIA CIA CRMA	Edith Cowan University
Russell Eade PMIIA CIA CGAP CRMA	National Capital Authority
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Please accept our apologies if we omitted you from the 2017 list, or if your details are incorrect.



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