

frequently Asked Questions



Canadian Institute Proposal

- **BENEFITS.....2**
- **FUNDING.....4**
- **STRUCTURE.....7**
- **SERVICES.....9**
- **VOTING.....10**



BENEFITS

1. Why should Canadian members of The IIA enthusiastically embrace the creation of IIA-Canada?

There is no doubt that IIA-Canada will bring great value to Canadian members, with myriad improvements of programs and services, and a stunning return on investment. The many benefits of establishing IIA-Canada include, but are not limited to:

- A national voice that represents and advocates for Canadian internal auditors.
- An attentive entity that delivers relevant response to Canadian laws and regulations and guidance for conformance.
- A credible national body that will go shoulder-to-shoulder with Canadian legislative, standard-setting, industry, and governmental bodies to ensure that the internal auditors are represented at the bargaining table at the onset of any and all discussions critical to the profession.
- A readily accessible and responsive system of national support, designed to provide appropriate Canadian-focused guidance, best practices, news, and other information critical to the effective practice of internal auditing throughout Canada.
- Opportunities to participate in professional development uniquely relevant to the environment in which Canadian internal auditors practice.
- Core products, programs, and services in both Canadian French and English.
- Although Canada and the United States forming a North American institute may appear to present financial advantages, the majority of the members would be American and a North American institute would be US-focused, rather than Canada-centric. The Canadian Institute Proposal team's detailed analysis has identified a Canadian-focused entity is definitely a next step in enhancing the services provided to Canadian Internal auditors, and creating a strong voice for Canadian Internal auditors not only in Canada, but also internationally. The pro forma statements clearly demonstrate viability based on existing and planned revenue streams and by retaining Canadian revenues in Canada. The many benefits of establishing IIA-Canada are detailed in the proposal document.

2. Why wouldn't it be more beneficial for a Canadian to be a part of a North American institute than a member of IIA-Canada?

Under a potential North American institute that combining Canada and the US, it is likely that Canada would continue to hold only one of 10 seats on The IIA's North American Board. However, Canada would lose national distinction within The IIA, and there is no guarantee that it would continue to have a seat on the Global Board. Additionally, because US members would represent 90 percent of the North American institute's membership, delivering products and services specifically for Canadians would not be top priority. The Canada Institute Proposal team and numerous senior Canadian leaders have considered this option and recommend IIA-Canada as the preferred choice.

3. Could Canada combine with an institute other than North America?

The team did not consider an amalgamation of Canada with an established institute outside of North America, and it is unknown whether doing so would be possible under the current by-laws. However, this would not be a logistically desirable option.

4. Why couldn't Canadian advocacy be adequately addressed under a North American model?

Under the existing structure, some advocacy initiatives have been accomplished and this could likely continue if North America becomes a separate institute. However, advocacy initiatives for Canada would continue to be secondary to US initiatives deemed by the North American Board (NAB) to be of higher priority for funding allocations.

In addition, many Canadian advocacy targets — such as Canadian federal government, provincial governments, Canadian Securities Regulators, specific Canadian industry groups, Canadian universities and colleges — prefer to interact with Canadian organizations with Canadian leadership. Under the North American model, the leaders and official spokesperson are not Canadian. In fact, some Canadians even perceive the organization itself to be American.

IIA-Canada would be uniquely Canadian — led by Canadians and governed by Canadians. As such, Canada's advocacy targets would be determined, prioritized, and pursued by Canadians.



FUNDING

1. Is IIA-Canada truly financially viable?

Yes. The detailed pro forma financials included in the proposal are conservative and demonstrate viability. The assumptions include projected revenues from fees, programs, services, and sponsorships; and expenses related to those activities. The pro forma also includes expenses related to service delivery, operations, and marketing. To review the details, refer to the financials at the end of the proposal.

2. How much research was done prior to setting the budget, and what were the assumptions behind the numbers?

The CIP team and IIA Global Headquarters thoroughly reviewed detailed service costs, staffing information on existing HQ operations, and budget numbers for other IIA institutes. They also benchmarked against comparative Canadian associations. The specific assumptions are included in the proposal.

3. How will membership dues be affected?

The financial pro forma in the proposal was prepared on a status quo basis in order to determine viability. Dues were projected to remain unchanged for 2011 and 2012 with a 9 percent increase in 2013 to accommodate estimated inflationary cost increases. The business case on which the proposal is based uses these assumptions, and the pro forma demonstrates IIA-Canada viability. There is no current plan to adjust dues beyond those contained in the proposal.

As time passes, however, there may be a need to adjust membership dues. For 2011 and 2012, any increases would be operational or inflationary in nature and totally unrelated to the formation of IIA-Canada. At any time after January 2011, IIA-Canada and chapter leaders may wish to establish a new Canadian funding model, including a rebalance of fixed and variable revenue streams. Any increases in dues resulting from rebalancing would likely be offset by a reduction in fees for other programs and/or implementation of new services. Any significant change in the funding model would be accompanied by a consultation process. If a new funding model is determined to be appropriate, it ideally would be effective in 2013.

4. According to the proposal, chapters will receive US \$8 per member, along with a minimum of \$1,000 from Global. Will IIA-Canada consider a different fee scale for smaller chapters?

Although the proposal does not include chapter allotment changes, IIA-Canada and chapter leaders could modify funding arrangements as needed — as early as 2011 for implementation in 2013. IIA-Canada's governance structure will empower its leadership to discuss such issues and make changes as needed. This opportunity is not available under today's structure.

5. How will revenues be split for chapters that plan and host national events?

The proposal assumes the current revenue split will continue. However, leaders may choose to study this topic prior to 2013, as part of a long-range funding review.

6. Will the new model support travel for committee members and other expenses for members representing the chapter in various capacities with IIA-Canada?

Currently, expenses are covered for the Canadian Council and this is expected to continue. The pro forma statements include significant projected travel cost to cover committee participation. It is recognized that many Canadian volunteers are unable to obtain financial support from their organizations. As a result, the long-term intention is for IIA-Canada to support all necessary volunteer travel expenses.

The assumption for the pro forma statements was that IIA-Canada would pay all costs for an estimated number of meetings. However, this will be a policy decision that will need to be based on revenue streams. IIA-Canada also will establish conference call and webcast capabilities to support committee virtual meetings. However, periodically meeting in person provides substantial value.

7. Does North America have corporate sponsors that could fund Canadian events?

North America has many sponsors who contribute significant funds to The IIA. However, those sponsorship arrangements are US-focused.

8. How does IIA-Canada plan to attract corporate sponsors and what are the associated expenses?

Considerable potential exists to generate IIA-Canada sponsorships from national organizations. This is a market that has not been approached to date. It is likely that IIA-Canada will consider establishing a sponsorship program, and that sponsor acquisitions will be commission-based, meaning that the sales person will receive a commission.

9. Because IIA-Canada cannot afford to translate 100 percent of all documents and services, what is the strategy for translation services?

IIA-Canada will be committed to increasing Canadians' access to bilingual products and services. It is recognized that all documents cannot be translated cost-effectively so IIA-Canada will refer to the guiding principles, which represent the Canadian Council's current approach to bilingualism. The amount in the pro forma statements is an estimate based on typical costs and anticipated volumes. During an upcoming strategic planning session, the board may consider enhancing this strategy. If Canadian members require additional bilingual content, its implementation will be the responsibility of the board and executive director.

IIA Global provides core products in many languages including English and French (France). Additional translation is performed by individual institutes. In recent years, a small amount of French material has been made available to Canadians and this option will continue to be considered. Clearly, however, Canadians would prefer Canadian French.

10. The budget for one-time costs is very high and more reasonably priced options are available. How will the one-time costs be funded?

All reasonable options will be researched. For the purposes of the proposal, projections were deliberately conservative. During the two-year transition period, IIA-Canada staff and transition team will work on identifying appropriate cost-effective products, services, and arrangements. Various sources will be researched and pursued for one-time costs.

11. Will a membership dues revenue model comprising dues for IIA-Canada and dues for the local chapter be considered?

The proposal contemplates no change in the current national and chapter funding models. However, if national and chapter leaders desire a change in IIA-Canada's funding model, this would occur during the two-year transition period so that the long-term funding model could be in place by January 1, 2013.

12. Do the revenue projections contemplate a dues increase?

The proposal assumes no dues increase for 2011 and 2012, but projects a 9 percent increase in 2013, based on an estimate for inflation and normal cost increases. If dues for 2011 and 2012 do increase, that increase will be operations-based and would have occurred under the existing structure.

13. Is it true that starting in 2013, IIA membership fees will be allocated 100 percent to IIA-Canada?

Canadian fees are currently remitted to IIA North America/Global. Upon establishment of IIA-Canada and effective January 1, 2013, those fees will be remitted directly to IIA-Canada, which will then pay an affiliation fee to IIA Global. IIA-Canada will continue to provide allotments to chapters.

14. When IIA-Canada is formed, will there be a desire to split revenue with the chapters?

No change in revenue sharing is considered in the proposal.

15. How will IIA-Canada build a sufficient financial reserve?

As indicated in the proposal, seed money is required for certain initial investments and to assist in building a reserve. In addition to utilizing accumulated contributions, the IIA-Canada team and board have an initial plan for pursuing potential funding sources.

16. Will the team push hard to obtain Canada's share of IIA assets?

Both the United States and Canada have adopted a guiding principle confirming their ongoing support for a viable IIA Global entity. The IIA's net assets have been and will continue to be identified by the IIA-Canada team in discussions with the North American Board and IIA HQ, as Canada significantly has contributed to the accumulation of financial reserves and intellectual property. However, any attempted resolution for Canada will not occur until asset allocations are resolved between North America and Global. As these deliberations unfold, Canada will continue to negotiate for a share of assets and/or favourable fees-for-service that reflect Canadian contributions over the years.



STRUCTURE

1. Where will IIA-Canada be located?

The location of the head office will be determined by IIA-Canada's board and executive director. Although the plan is to establish a physical head office and core staff, it is possible that a virtual office arrangement will be implemented with some staff members residing at other locations. Such an arrangement will increase recruiting opportunities, reduce costs, and offer regional contact and support for IIA-Canada and its chapters and membership.

2. How will chapters be involved in the development of a national strategy?

It is anticipated that a strategic planning initiative will occur in 2011 or 2012. While the exact format and process will be determined by the leaders at the time, both national and chapter boards will be involved. One of the values of IIA-Canada is that it will link chapters with each other and the national board in a coordinated approach and execution of strategy. It should be noted that the current structure neither allows for chapter engagement in the development of the North American strategy, nor clear chapter linkage to execution of the strategy.

3. With no geographic representatives, how will IIA-Canada ensure sufficient high-level representation of people who have a full perspective of Canada's strong chapter network?

Under the proposed structure, the district representatives serve as full voting members, and provide a direct link to IIA-Canada's Board of Directors. The existing structure does not provide this direct relationship for chapters. IIA-Canada's Nominating Committee will be charged with defining the criteria for board nominations based on existing and desired factors, including representation from geographic regions, language, gender, industry sector, etc. This committee also will be responsible for selecting nominees, who ideally would be former presidents or board members at the chapter level.

Please note that above value-add connectivity of chapters is only available under the proposed IIA-Canada structure, as the existing North American structure does not provide this direct relationship for chapters.

4. Would IIA-Canada's Board include a percentage of French-speaking positions?

Language is, of course, one of the factors the nominating committee will consider. To ensure effective communications with all IIA-Canada members and leaders, a portion of the board and the institute staff will be fluent in both languages. And all core IIA-Canada materials, programs, and services will be made available in both English and French, based on the official languages guiding principles contained in the IIA-Canada proposal.

5. Will IIA-Canada have a seat on the global board?

There are various criteria for countries to be represented on The IIA's Global Board, and no country is guaranteed a permanent seat. Based on current guidelines, however, and because IIA-Canada will be The IIA's third largest institute in the world, it is reasonable to assume it will have a seat on the global board.

6. What assurance is there that the board will move away from managing operational activities and assume a governance role of approving direction and planning?

Due to insufficient staff resources, the current board must be operations-focused. However, after establishing an IIA-Canada office, hiring an executive director and appropriate staff, and establishing a strong committee structure, the board will be well positioned to evolve into its strategic governance role.

7. How can the interests of smaller chapters and all Canadian regions be protected by just two district representatives?

The district representatives will be responsible for communicating the views of chapters to the board, ensuring that all chapters have equal input. Also, the Chapter Relations Committee (CRC) will provide an open forum for chapters to discuss issues and work together. Plus, IIA-Canada's board will meet at least once a year with the CRC. In addition, each national board member also belongs to a local chapter, and can participate in discussions at the chapter-board level.

8. Will there be different levels of IIA-Canada membership?

No changes are planned for the current membership structure. This is a topic for future discussion, and if there is support for changes, IIA-Canada will be positioned to make them in the future.

9. Why is an operations manager being recruited instead of an executive director and why wasn't an administrative temp considered instead of an operations manager?

The current recruitment of an operations manager is not related to the IIA-Canada project. That position is required under the existing structure, even without a stand-alone institute. An administrative temp would not be capable of fulfilling the extensive responsibilities of the operations manager, as only a small part of the work is administrative. The hiring of an executive director will be an essential first step in the transition plan, once the membership has voted in September to establish IIA-Canada.



SERVICES

1. **Will chapters continue to offer professional programs that generate revenue, or will this be viewed as conflicting with IIA-Canada's educational initiatives?**

Chapters will continue to play a vital role in providing local educational opportunities to members. This will be supplemented by national programs. IIA-Canada will focus on designing educational materials and programs specifically for Canadian internal auditors, and those offerings may be delivered on either a chapter or national level.

2. **Will chapters share in the revenues from IIA-Canada's events?**

To ensure member services are maximized and to maintain its existing revenue-share arrangement, IIA-Canada's events will be coordinated with chapters near the event location and revenues will be appropriately shared. This is not the case when IIA-North America operates events.

3. **What is the plan for IIA-Canada to conduct quality assessments (QA)?**

Existing QA services in Canada will continue. There will, however, be increased visibility and marketing.

4. **How will service levels differ from those provided today?**

During the two-year transition period, Canadian leaders will identify which IIA services are appropriate for Canadian members, and determine which ones are no longer needed. The services will be prioritized to fit the Canadian environment and the unique needs of IIA-Canada's membership. If a new service is desired, IIA-Canada will perform a business case, identify the funding source, and implement the initiative. This is significantly different from the existing structure, in which proposed increases in services to Canadians require various levels of approval.

5. **Will IIA-Canada provide only broad-interest education and training, or will it also develop industry-specific courses?**

IIA-Canada will determine the types of educational programs Canadians need. It is likely that this process will result in developing and delivering both broad-interest and industry-specific courses.

6. **How will IIA-Canada's support for chapters be handled?**

The proposal incorporates hiring Canadian office staff that includes chapter support capabilities. However, during the transition period, each service and activity will be analyzed individually and assessed using a business-case format. IIA-Canada will definitely provide enhanced support to the Canadian chapters through designated Canadian staff members.

7. **Will IIA-Canada have to pay for seminar programs developed by The IIA?**

IIA-Canada will be required to pay for any product or service it obtains from The IIA on a fee-for-service basis. Conversely, any country wishing to utilize Canadian products or services will purchase them from IIA-Canada.

8. **Will IIA-Canada develop its own standards?**

Overseen and promulgated by IIA Global, the International Professional Practices Framework (IPPF) comprises the *International Standards for the Professional Practice of Internal Auditing (Standards)*, which will continue to be the standards followed by Canadian internal auditors. A unique focus on the Canadian environment, however, will position IIA-Canada to provide interpretation and guidance specifically for our context.



VOTING

1. **What is the role and responsibility of each Canadian member in the IIA-Canada initiative?**

Members must make two choices during the voting process:

- The membership will vote during September 2010. In this vote, IIA-Canada approval requires at least 1,000 YES votes, and at least two-thirds of total votes.
- Members also will choose either IIA-Canada or IIA-North America as the institute with which they wish to be affiliated. In order for the initiative to be approved, this step requires more than 50 percent of the Canadian members to choose IIA-Canada. Please refer to the second question of page 1 for more information on why it is beneficial for Canadian members to have their own IIA Canada institute.

2. **What if there is not a minimum of 1,000 YES membership votes, or if two-thirds of the membership votes received are not in favour of establishing IIA-Canada?**

If the necessary favourable votes are not achieved, an analysis will be required to determine why the vote failed, as well as what direction Canada should take for the future. In the meantime, the Canadian Council will continue to maintain its operating and governance structure as a sub-committee of the North American Board.

3. **What if the membership vote is successful but, during membership renewal, large numbers of members opt to join the North American institute?**

An extensive communication exercise will occur during the critical membership renewal period to help members understand their options and how to complete their renewal form. Members who opt to join the North American (i.e., USA) institute would no longer receive services from IIA-Canada or a Canadian chapter. If a large number of Canadians joined the North American institute, there could be serious negative financial repercussions for IIA-Canada. Please refer to the second answer on page-1 of this FAQ document to review the primary reasons a Canadian institute will bring far greater value to Canadian internal auditors than could a North American institute.

4. **When will chapter boards need to vote on the resolution?**

Ideally chapters should vote as soon as possible and publicize their resolution to local members. However, chapters must vote prior to the membership vote, which begins September 1.

5. **Do chapter boards have to vote 100 percent in favour of establishing IIA-Canada in order for the chapter vote to be considered favourable?**

IIA rules state that such a proposal requires 9 of 12 chapters to vote in favour. However, the concept of IIA-Canada will only work if all chapters are actively engaged. The objective is to unite Canadian chapters and the national board to work together for the betterment of all members. While a unanimous vote is ideal and demonstrates unity, the percentage of favourable votes needed is determined by each chapter's by-laws.

6. **How will timely communication to the membership be ensured so that each member can make an informed decision, and the required quorum will vote on the proposal in September?**

An extensive communication program began immediately after the Global Board approved the proposal on June 12, and will continue until the membership vote is complete. Providing this FAQ is one of the components of that program.

7. How will the membership vote be made available?

Voting will be electronic, as well as pen and paper. Details will follow.

8. Can advance voting be done?

Advance voting will most likely not be possible due to the parameters established by The IIA. However, the month-long voting window should allow sufficient opportunity for anyone who wants to vote to do so.

9. What are the long-term benefits of voting YES?

This is each Canadian member's opportunity to be a part of the most exciting and significant initiative the country's internal auditors have ever undertaken.

YES, establishing our own national institute will provide Canada-focused opportunities and support far beyond anything we've experienced to date. YES, IIA-Canada will serve as our national voice with regulators, legislators, and standard-setters in various industries. And YES, the value of establishing IIA-Canada will outlive us all, as generations to come reap the rewards of our tenacity and hard work.

Contribute to a legacy we all can be proud of by voting YES!