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Message from the President: “Reassessing our Relevance and Establishing our Strategic Plan”

I am pleased and excited to take on the role of President for the Ottawa Chapter and will continue to serve the Chapter in this new capacity. Over the past few months, I have had the privilege to work with a dedicated and knowledgeable team to establish our 3-year Strategic Plan, setting out our Chapter's key focus areas and priorities. And what a perfect time to “reassess our relevance!” Over the past five years, we've seen tremendous change in the internal audit community, especially in the federal government, with the advent of the Internal Audit Policy and the establishment of Departmental Audit Committees. Our community has come a long way and we continue to adapt to our changing environment. We certainly have some interesting and important challenges and opportunities ahead of us, such as:

- Increased global uncertainty and volatility –While Canada is fairing better than other countries, we are not immune and need to be vigilant and adapt to the potential impacts of another downturn.
- Fiscal pressures – The current “budget constraints” and “strategic reviews” seen in the federal government are posing both a threat and an opportunity in terms of our role as auditors and a strategic partner, the promotion of internal audit's value proposition and the composition of our audit teams.
- IIA Canada – The establishment of IIA Canada will enable national initiatives and services, including the promotion and advocacy of Internal Audit, as well as national programs and conferences, but it will require a rethinking of the service delivery model at the local versus the national level.

A key part of our Strategic Planning exercise was conducting an environmental scan of these and other factors, and evaluating input from key stakeholders, including our membership. In line with our Chapter's mandate, I am pleased to share some highlights of our Strategic Plan 2012-2015. The Chapter will be focused on three areas:

1. BUILDING CAPABILITY AND VALUE OF THE IA COMMUNITY

- **PROFESSIONAL DEVELOPMENT PROGRAM:** Deliver a professional development program that supports professional certification and continuous learning.
- **CONNECTING OUR MEMBERS:** Provide opportunities for members to connect, share knowledge and advance thinking on matters of local importance.
- **PROMOTION & ADVOCACY:** Promote the value of internal audit, influence public-policy decisions, and advocate investment in internal audit.

2. STRENGTHENING CHAPTER CAPACITY

- **CHAPTER GOVERNANCE & MANAGEMENT:** The Chapter's governance processes, structure and bylaws support effective decision-making and implementation success. The Chapter manages itself in a sustainable, fiscally prudent, transparent and collaborative fashion.

3. SUPPORTING IIA CANADA

- **CONTRIBUTION TO BUILDING IIA CANADA:** The Chapter contributes to the IIA Canada's formation and development.

Our Board is currently developing operational plans to align with these strategic directions. To continue to be relevant, we need to engage you, our members – and especially our audit leaders – in sharing practices and discussing emerging issues, risks and opportunities. We also need to be vocal and bold, promoting the internal audit function and creating an understanding of its role and value proposition.

I am proud to be working with an exceptional IIA Ottawa Chapter Board of Directors comprised of thought leaders, respected practitioners, and our dedicated volunteers. However, to accomplish our Chapter's Strategic Plan, and to capitalize on the opportunities that lay ahead, we need your help! I invite you to work with us to advance our Chapter and the internal audit community. The IIA Chapter Executive Committee and Board of Governors for 2011-2012 may be found in this newsletter as well as on the website: http://www.theia.org/chapters/pubdocs/94/IIA_Ottawa_Chapter_2011_2012_Board_Info.pdf.

We hope to hear from you!

Prepared by Julie Champagne, President of the Ottawa Chapter (as of May 2011) and formerly served the Board as Vice-President, Strategy. Julie is the Deputy Chief, Internal Audit at the Bank of Canada: jchampagne@bankofcanada.ca.

Annual General Meeting

On May 26, 2011, we celebrated the end of a fabulous year at the IIA Ottawa Chapter. There were just over 100 registered for the Annual General Meeting (AGM) event which exceeded participation at last year's event. The meeting took place at the Sheraton Ottawa Hotel on Albert Street and featured a sumptuous lunch before the meeting began. Outgoing Chapter President, John Gilhooly, provided some opening remarks including a Chapter update and some highlights on key developments over the year, including the online registration system for events and training. John also recognized the contributions of members serving on the Ottawa Chapter Board and a few opting to step down from their posts, including David Rattray, Bruce Sloan and Beth McClurg. John thanked each member for their service and extensive contributions. John was also pleased to acknowledge the winner of the first Sprott School of Business IIA Scholarship Winner, Adam Armstrong.



In photo (left to right): David Rattray, former IIA Ottawa Chapter Governor, Member at Large (International Committees) with John Gilhooly, Past President, and Current Chair of the Nomination Committee.

Before the main speaker, Carmen Abela provided an update on the implementation of IIA Canada. Carmen is currently serving as member of the Interim Canadian Board (ICB) and Chair of the ICB Strategic Planning Committee. We are fortunate to have Carmen also serving as the IIA Canada Liaison with the Ottawa Chapter. As part of her update, she indicated she would be pleased to respond to

any questions from the membership, or respond to those potentially seeking further information on the progress of the Institute. Carmen may be reached at Carmen.Abela@windreach.ca.

Unfortunately, the scheduled keynote speaker, the Comptroller General of Canada, Mr. James A. Ralston, was called away at the last minute and was unable to deliver his speech to the room of avidly awaiting audit professionals. Mr. Sylvain Michaud, Executive Director of Policy and Liaison in the Internal Audit Sector of the OCG graciously accepted to take over for Mr. Ralston, and he delivered Mr. Ralston's personal speech entitled, "*The Internal Audit Function in an Environment of Fiscal Constraint.*" Key messages centred around the increased focus on cost-efficiency and effectiveness for the Internal Audit (IA) function, along with the significant contributions that internal audit can make through leadership, talented human resources and exploiting technology and risk management methods. In the concluding remarks, it was stressed that we, as auditors, need to continue to demonstrate our relevance, and we cannot ignore opportunities to improve, or fail to identify opportunities to better manage government operations. The IA function is here to stay; however, we need to embrace change, adapt, and become better aligned with enterprise risk management efforts.

After the address by Mr. Michaud, the business of the AGM was undertaken, including: the ratification of the 2010-2011 actions of the Board of Governors and bi-laws revision; approval of the unaudited financial statements; approval of the 2010-2011 Slate of Governors. Copies of the 2010-2011 Annual Report were made available to attendees, and is also available on the Chapter website: http://www.theiia.org/chapters/pubdocs/94/IIA_Ottawa_Chapter_AGM_Report_package_for_20110520.pdf.

The event was a success and it once again ushers in a renewed excitement for the internal audit profession and the Ottawa Chapter.

Coming up! Following the theme of the AGM speech, stay tuned for the upcoming winter newsletter including an article on "*Responding to the Need for an Efficient Internal Audit Function.*"

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Auditors Winning an Award for Innovation?

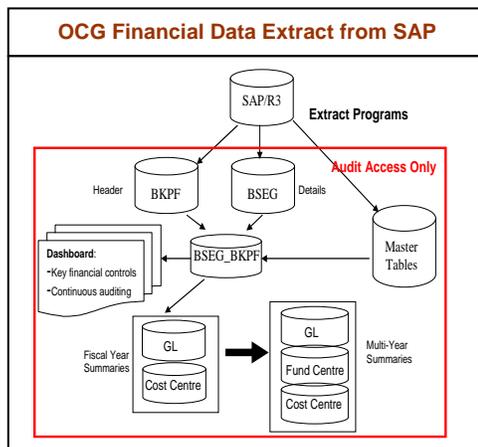
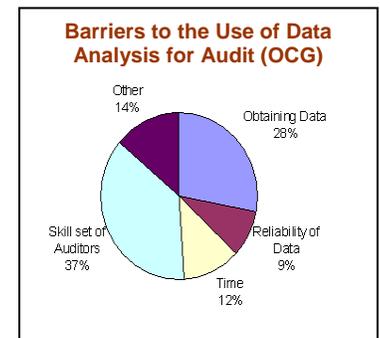


Internal audit provides significant recommendations to improve risk management and control processes, but it is rarely recognized as being innovative. However, the Office of the Comptroller General (OCG) has recently won two awards for the Standard Financial Extract initiative. The first is the Leadership in Service Innovation Award from the Association of Professional Executives of the Public Service of Canada (APEX), and the second one, the Canadian Public Service Award of Excellence for Innovation.

Despite the fact that many studies by the IIA and major accounting firms have consistently stated that one of the most important skills required by internal auditors is the ability to perform data extraction and analysis, many audit organizations are still not capable of performing such analysis. The biggest single impediment is the ability of the internal auditors to access the data. Typically, it is uncommon for auditors to have the technical expertise to determine, define and access the data they require from complex financial systems, such as SAP, that are based on thousands of interrelated tables. As a result, they must rely on Finance or the SAP programmers for data. This is time consuming and can affect their independence. In addition, most

of the analysis routines developed for one internal audit cannot be re-used and shared with other internal audit organizations even if they use the same financial system. To address these barriers, the OCG developed a standard financial data extract for SAP which provides departmental internal auditors with independent and easy access to their financial information.

The purpose of this initiative was to define a common set of financial data that would address departmental/agency internal audit requirements for financial information. It would increase internal audit efficiency and effectiveness; support and encourage collaboration and sharing between audit organizations; support the Chief Financial Officers in the performance of account verification; and provide additional benefits to the internal audit and financial community at large. The development of a common set of financial data will also improve the ability of departments to respond to external auditor queries and ministerial inquiries; provide for more efficient and effective audit coverage of government expenditures; and improve the ability of auditors to perform risk assessments and examine financial trends.



The initial project to provide internal auditors with access to their financial data began almost three years ago. Currently, there are several different financial systems in use in the federal government; however, approximately 70% of all government expenditures are processed through SAP systems. For this reason, the plan was to start with SAP and then adapt the financial data set to the other financial systems. The OCG established a Computer-Assisted Audit Tools and Techniques (CAATs) working group with representation from over 20 departments and agencies. The working group defined a standard set of data that would address all types of audits –

financial, operational, control and compliance testing, etc. The standard set of data included: financial coding, GL account, relevant dates (e.g. invoice, posting, and entry), payment terms and method, customer or vendor number, description, user and other key fields. This was then translated into specific fields available through the BSEG and BKPF files in the FI module of

SAP. Once the standard data set had been defined, the OCG worked with the SAP project office in Public Works and Government Services Canada (PWGSC) to have the extraction routine developed and tested. The extraction program was then freely provided to departments for them to implement in their SAP environment. A key feature of the standard data set is that it is a fixed length file with a consistent structure across all departments using SAP. This means that the financial data can be read with Excel, and Access, and with audit software such as ACL and IDEA. It also means that any analysis routine developed by one department can easily be shared with other departments because the data has the same structure and format.

In order to support the implementation of the standard data extract, the OCG worked with personnel from the Privacy area of Treasury Board Secretariat (TBS) to develop a Personal Information Bank (PIB) for Internal Audit. A PIB describes the types of personal information collected by departments and the purposes for which it can be used – in this case, internal audit.

Without the proper PIB, the personal information in the standard data set, such as pay data, could not be used by internal audit. However, the development of a PIB for internal

audit defines audit purposes as an appropriate and consistent use of the personal information. The OCG

also worked with the TBS IT Security section to provide guidance to departments with respect to the level of protection that should be applied to the standard extract (e.g. Protected A).

Finally, the OCG is working with departmental internal auditors to help increase their understanding on data use and

analysis. The OCG-led CAATTs working group defined a series of 15-20 measures to assess the integrity of the SAP data (e.g. mandatory fields are

not blank), trend information (e.g. JVs over \$50K) and key financial controls (e.g. documents balance to zero).

The working group met to define typical risks in the Accounts Payable (AP) process and a series of 20-25 tests were developed to support an audit in the AP area. The AP tests included examining payment terms, processing time, separation of duties, duplicate payments and other risks. All analysis routines are published on GCForum and are available to all federal government internal auditors.

Now that the standard financial extract has been developed for SAP, the OCG is developing standard extracts for other information systems. Working with the FreeBalance project Office in PWGSC, the OCG is in the user testing phase of a standard financial extract for FreeBalance. This extract will be included in the standard release of FreeBalance in late 2011.

The development of a standard financial extract enables a truly innovative approach to conducting audits and assessing both risks and controls. The initiative saved the government millions in development costs, as it was developed and tested centrally, rather than by each department individually. It will improve the efficiency and effectiveness of all internal audit organizations, and will allow finance to continuously monitor key financial controls.

As a result, it has the potential to fundamentally change the way audits are performed across the federal government and is already being used by some departments to support Continuous Auditing, whereby auditors can identify and assess emerging risks as well as test key controls by electronically analyzing financial data.

The screenshot shows a 'Continuous Control Assessment' dialog box for 'Accounts Payable'. It features a 'Run all control assessment tests' checkbox at the bottom. The control tests are organized into two groups: a red-bordered group containing 'Separation of duties', 'Vendor creation', 'Purchase Order - reference', 'Goods / Invoice receipt (user)', and 'Payment terms'; and a green-bordered group containing 'Purchase Order - dates', 'Purchase Order - split', 'Goods / Invoice receipt (Amount)', 'User = Vendor', 'Vendor usage', 'Invoice amount less than \$500', and 'Late payment penalties'. A 'Control Test' label is highlighted in red, and a 'Risk Assessment' label is highlighted in green.

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IIA Ottawa Chapter Survey Results

Last December 2010, the IIA Ottawa Chapter Program Committee administered a survey of its membership and the results were very positive and encouraging. The Chapter Program Committee would like to thank the 170 plus respondents from the internal audit community that took the time and effort to respond to the short survey, including Chief Audit Executives, Directors, Managers, Team Leaders, Auditors, Consultants and others.

Over the years, the Ottawa Chapter has grown in membership from approximately 400 in 2007 to 1200 in 2010. The Chapter is one of the largest in Canada due to the high concentration of internal auditors in the federal government whose headquarters are in the National Capital Region. This wide range of respondents allowed the Chapter to gauge the views of a cross-section of Ottawa internal audit practitioners. The following presents some highlights of the survey results.



And the Survey says!

- ☑ 81 percent of respondents who had attended an Ottawa Chapter training course in the last two years felt that the course was valuable or very valuable;
- ☑ Respondents rated the top two training providers as the IIA Ottawa Chapter and IIA Head Office. Approximately 30 percent of respondents had accessed other training channels, such as courses offered through other providers, or were pursuing audit designations to improve their internal audit skills;
- ☑ When asked reasons why members had not attended a Chapter training course within the past two years, the top responses included: "Received training from other training providers" (e.g., through employer, Canada School of Public Service); "Courses offered were not of interest"; "Too busy at work to devote time to training"; and "Training budget was too low or frozen".

Overall, the results of the survey are very positive. The Chapter Program Committee is pleased to hear that members generally feel well-served. However, we have a spirit of continuous improvement! The results of the survey have provided useful insights to programming decisions, as well as strategic planning efforts of the Ottawa Chapter.

Next Steps!

In terms of next steps, the Ottawa Chapter will continue to release its calendar of events as early as possible so that members can plan their training needs in advance. Course offerings will be modified to take into consideration the preferences of survey respondents, including greater emphasis on manager-level offerings. The focus on networking events will continue, while also integrating other emerging topics into the Breakfast Sessions and/or the Lunch and Learn sessions, where courses are not available. Finally, the results of the survey reinforced the need to improve communications to the Chapter's members and other targeted audiences.

The IIA Ottawa Chapter Survey was administered by the Chapter Program Committee. As a member on this committee, Annam Ganesan, Audit Manager, Canadian International Development Agency, was responsible for surveying the members regarding training and aggregating survey responses. For further information on the survey results, please contact Annam at Annam.Ganesan@acdi-cida.gc.ca.

IIA Ottawa Chapter Executive Committee and Board of Governors (2011-2012)

Executive Committee

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Vice President – Strategy	John Lees	jlees@orbisrisk.ca
Vice President – Operations	Vacant	
Secretary	Susan Kenney	Susan.kenney@csc-scc.gc.ca
Treasurer	Djoura Abbas	dabdellou@yahoo.ca
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Canadian Institute Liaison	Carmen Abela	carmen.abela@windreach.ca

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Call for Volunteers

The IIA Ottawa Chapter needs you! While the Chapter is largely a volunteer-run organization and Board members are individuals working within the IA community, we are always looking for motivated volunteers to help us make the Chapter even better. You can earn a few CPE credits while you do it! In fact, the IIA permits...“a maximum of 25 CPE hours may be awarded in the participation category in each two-year period for participation as an officer or committee member in a professional industry organization related to internal auditing. One CPE hour for each hour of qualifying participation will be

awarded.” See [CPE Opportunities - The Institute of Internal Auditors](#).

If you would like to contribute to the efforts of your local chapter please e-mail Marianne Avarello (avarelmc@oag-bvg.gc.ca) to find out what opportunities exist.

Job Opportunities

Looking for a new opportunity? Did you know that the IIA Ottawa Chapter posts local jobs? Please see the Chapter website for details at <http://www.theiia.org/chapters/index.cfm/view.resources/cid/94> or at <http://www.theiia.org/ottawa>.

Upcoming Events

Check out our latest Events Calendar for great training sessions and seminars. It is posted on the Chapter website at the following link: http://www.theiia.org/chapters/index.cfm/view.public_file/cid/94/fileid/22910 or the link to the online version of the events at: <http://www.gifttool.com/registrar/ShowEvents?ID=1843&VER=1&LNG=EN>.



Visit our Chapter site: <http://www.theiia.org/ottawa>.

Please send any comments or questions about the Newsletter to Christina Brooks, Newsletter Chair, at Christina.Brooks@cra-arc.gc.ca. Thank you!