



The Institute of
Internal Auditors
South Africa

2009

ANNUAL REPORT



**The Institute of
Internal Auditors
*South Africa***

2009 ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 30 November 2009
Registration Number: 1985/003686/08



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APPROVAL AND STATEMENT OF RESPONSIBILITY

The Financial Statements which appear on pages 24 to 34 were approved by the Board of Directors on 12 March 2010 and signed on their behalf by:



Justine Mazzocco, President

12 March 2010

Date



Dr Claudelle von Eck, Chief Executive Officer

12 March 2010

Date



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE INSTITUTE OF INTERNAL AUDITORS SOUTH AFRICA

We have audited the annual financial statements of The Institute of Internal Auditors South Africa, which comprise the directors' report, the balance sheet as at 30 November 2009, and the income statement, statement of changes in equity and cash flow statement for the period then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 21.

Directors' Responsibility for the Financial Statements

The institute's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

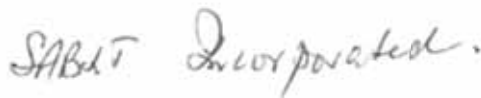
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgements, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of The Institute of Internal Auditors South Africa as at 30 November 2009, and its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.



SAB & T Chartered Accountants Incorporated
Registered Auditor
Per: B. Adam

Centurion

05 March 2010

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 Z Songra CA(SA), I Theron CA(SA), H van der Merwe CA(SA)
 Associate Director: L A D Hoosen
 * Executive Committee

SAB&T Chartered Accountants Incorporated
 Co. Reg. no. 1997/018869/21



PRESIDENT'S REPORT

The continuing economic downturn and uncertainty about the future is the context in which I present to the members the review of the Institute's activities for the financial year.

The key challenges facing the Institute in the past year were:

- Long term financial stability
- Hosting of the International Conference in May 2009
- Capacity to deal with more than 6200 members
- Capacity to service a diverse membership base
- Advocacy of the profession and meeting shareholders' expectations
- Management and Board Succession

LONG TERM FINANCIAL STABILITY

The significant increase in our net surplus as compared to the previous year is primarily due to the significant surplus generated from the International Conference held during the year under review.

Our state of finances as indicated in the annual report reflects a healthy balance sheet and has adequate reserves to cover committed costs and staff salaries for two years. The Board has also approved and set aside a budget for special projects to be applied to the following areas, with the surplus funds generated from the international conference, which are included in the Institute's 2010 budget and strategic plan:

- Establishment of African Federation of Institutes
- A new building for the Institute to address the capacity requirements (some of the surplus funds will be applied to this)
- Advocacy
- Learnerships
- Joint training with National Treasury
- CBOK – interpretation of results into a meaningful format for the members

The prospects for the year ahead, with the economic downturn and continuing uncertainty could pose a risk to revenue streams such as training and conferences. We expect the CIA revenue stream to be back on track after the initial decline in numbers with the introduction of computer based testing.

I believe that the Secretariat will continue to manage our finances and activities prudently, whilst recognising the need to gear up capacity in certain areas to support the growth in our membership as well as their needs and expectations.

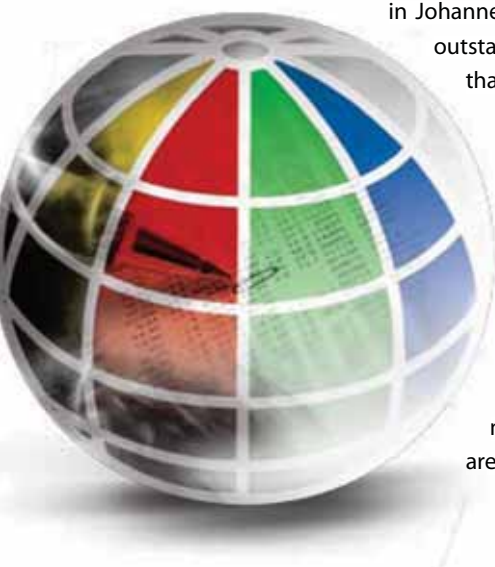
HOSTING OF THE INTERNATIONAL CONFERENCE IN MAY 2009

In May 2009, Internal Auditors gathered from around the world for the 68th international conference hosted in Johannesburg, South Africa. As indicated in the Chief Executive's report, the conference was an outstanding success, and one of the best ever international conferences hosted to date; also given that there were a number of odds counting against us at the time.

I would like to express my deep appreciation to the organising steering committee, led by Anton van Wyk, and the Secretariat, led by Veronica du Preez, who worked tirelessly in ensuring an exceptional conference yielding very good profits.

CAPACITY TO DEAL WITH MORE THAN 6200 MEMBERS

Our membership base continues to grow which necessitates increased capacity to service the needs of our members. As detailed in the Chief Executive Officer's report, the Institute made additional staff appointments and is looking to fill vacant positions in identified key areas of service delivery.



It is important that the governance structures and the volunteer member participation at Board, Regional and local levels continue to support the Institute. We continue to be grateful to the Chief Executive Officer, Secretariat and the volunteer members for their contribution in this regard.

CAPACITY TO SERVE A DIVERSE MEMBERSHIP BASE

We have a diverse membership base of which some dimensions of this diversity is reflected by maturing levels of experience, industry or sector, size of organisation and geographic location. The Institute continues to provide a range of services that is utilised by this diverse base, and will look to grow the range of services offered in line with the needs and expectations of our members.

At entry level we will look to increase the number of learnership candidates. We also continue to attract increasing numbers of delegates to our curriculum of training courses. At specific sectoral level we offered a number of courses to the public sector.

A Chief Audit Executive (CAE) Leaders Forum was held on 28 and 29 January 2010, which brought together leaders in our profession. Over 160 leaders joined in crucial discussions aimed at shaping the future of the profession. Topics for table discussions were provided around issues such as CAE critical needs, concerns around issues affecting the profession, areas where guidance is needed, the effects of the economic crisis and trends developing in the profession.

A response plan has been compiled to address the needs and issues raised by the CAEs as important stakeholders and influencers in our profession. The recently approved IIA SA 2010 - 2012 strategic plan has to a great extent addressed all the critical needs raised by CAEs.

Lastly our key conferences (the International Conference having replaced our National Conference in the past year) continued to showcase the ability of the Institute to put together world class learning and networking events on a value for money basis.

ADVOCACY OF THE PROFESSION AND MEETING STAKEHOLDERS' EXPECTATIONS

The Chief Executive's report sets out in detail the activities that are growing the visibility and the stature of the Institute both locally and internationally. The advocacy efforts made by the retired CEO, Veronica du Preez and some Secretariat staff have resulted in very strong relationships being built with a wide range of key stakeholders. A solid foundation has been established in advocating the Institute and our profession which is already being taken forward with great energy and enthusiasm by the new CEO, Claudelle von Eck.

KING III

The third report on Corporate Governance in South Africa was launched on 1 September 2009. King III was released in response to the new Companies Act, and in an endeavour to be at the forefront of governance both locally and internationally. Members of our board, including our past presidents, have represented the IIA SA on the Internal Audit and Risk Management King III task committees.

I would like to acknowledge the efforts of these board members: Anton van Wyk, the Convener of the Internal Audit task committee, Linda Yanta, Joe Lesejane, Andre Theron and myself were members of the Internal Audit task team and Rob Newsome, a member of the Risk Management task team, actively contributed and provided input into these task committees which formed the basis to the King III Report. The Institute convened road shows around the country to raise awareness on the Code and the Report as well as key changes in comparison to King II, with particular emphasis on the enhanced role of Internal Auditors.

King III advocates and endorses the importance and the value of Internal Auditors as a key pillar of governance in our organisations. As a profession we should view this as an exciting challenge to endeavour to position ourselves strategically within our organisations and leverage off the recommendations made in the Code and the Report to deliver value to our stakeholders.



Advocacy is underpinned by competent and trustworthy professionals who operate at this heightened level of shareholder expectation. The level is at both the individual members and the profession.

At the level of the profession, the Institute continuously strives to have a Board of Directors that is competent, respected and also have integrity. Whilst the process of electing members is democratic the Board also assesses its composition and may decide to co-opt other candidates to strengthen collective capabilities.

The Board has strived to have the following governance practices in place:

- (i) accountability of Board committees
- ii) evaluation of performance of Board and its individual members
- (iii) strategy setting process
- (iv) risk management
- (v) discussing support to the CEO.

The Board has the following committees in place:

- (i) Audit, Risk and Finance
- (ii) Nominations
- (iii) Remuneration and
- (iv) Disciplinary

The Board has put the following Advisory Committees in place, and have provided input into these committees:

- (i) Public Sector
- (ii) Technical
- (iii) Education and Training
- (iv) Continuing Professional Development and
- (v) Conferences

At individual member level, the Chief Executive's report has highlighted the continued effort to train and share knowledge through courses and conferences. In addition, the Board through the Disciplinary Committee is vigilant about the ethical behaviour of members and deals promptly and effectively with any matters that come to its notice.

CAPACITY TO INFLUENCE GLOBAL PROFESSIONAL DEVELOPMENTS

The section on International Representation sets out details on how our Institute is represented on the global Board and its various international committees. We are undoubtedly making a significant contribution to these committees and the global Board and we should continuously look to influence those issues that are important to us (IIA SA) and the profession in general.

The financial performance at a global level continued to be below par. At the same time the global Board has been grappling with its strategy, including how the IIA global should be governed. There have been several changes in senior leadership of the global Secretariat. How the global Board responds to these challenges will also impact the future of the global profession.

MANAGEMENT AND BOARD SUCCESSION

CEO retirement and succession

We were privileged to have the calibre of Veronica du Preez, as Chief Executive Officer of the Institute for over 8 years. Veronica retired in December 2009 leaving a hard act for her successor to follow as she has most certainly been a great ambassador for the Institute and our profession. I wish to express my deep gratitude and appreciation to Veronica for her outstanding contribution and the significant impact she has made on the Institute and profession, both locally and globally, over the years. Veronica was highly effective in her role as CEO and demonstrated fierce and unwavering passion, commitment and dedication in the execution of her responsibilities. We wish her well in her retirement, even though we will still utilise Veronica's skills and experience to assist us in taking on the role of co-ordinator of the African Federation this year.

In the time leading up to Veronica's impending retirement, the Board deliberated extensively about the Institute's succession plan, including specifically the identification and appointment of a successor to the Chief Executive.

After following a transparent process of advertising the position of CEO to the members, the Board after following a due process and deliberation, approved the appointment of Claudelle von Eck as the new Chief Executive of the Institute with effect from 1 January 2010.

Claudelle, was previously in the position of Chief Operating Officer of the Institute for over 3 years, and in this time gained valuable insights and an understanding of the Institute including the challenges that lie ahead. I have no doubt that Claudelle as the new CEO has the leadership attributes, experience and capabilities required to take up the challenge of leading the Institute to new heights. I wish her well and all the success in her role going forward.

Board changes

It is my pleasure to welcome Messrs Fatima Ally, Clarence Benjamin, Felicia Msiza, Celestine Munda, Mmathabo Sukati and Riaan Thiart who joined the board in April 2009.

We note that the terms of the following individuals have come to an end: Messrs Philip Barton (resigned), Jacob Hlatshwayo and Liezel Samuels (resigned).

I wish to express my heartfelt gratitude to all these individuals for their voluntary commitment and contribution to the Board and the Institute.

CONCLUSION

In my first year as President, I am grateful and honoured that I have been afforded the opportunity to work and interact with many high calibre individuals within our membership, the Secretariat and the Board, who are committed and strive to make a difference in the endeavour to take our profession to a new level. I have grown from this experience and have enjoyed being in this role.

Whilst recognising that there are some real challenges ahead of us, I have full confidence that the Chief Executive and the Secretariat will make strides in the year ahead in improving the stature of the Institute and our profession and meeting our stakeholders' expectations.

I wish to thank the retired and the newly appointed Chief Executive as well as the staff for their tireless efforts in making the Institute a success. Equally important I wish to also thank my fellow Board members for their significant contribution, support and commitment. I also want to acknowledge and express my gratitude to all those volunteer members in our regional, local and other structures who are dedicated and committed to take our profession to a new level.

J Mazzocco
President



CHIEF EXECUTIVE OFFICER'S REPORT

The year 2009 arrived with the media being dominated with news about the global economic crisis. Although South Africa had not been affected as badly as many other countries, we did feel the effects and saw the country go into a recession for the first time in many years. We had grown used to the Bull Run and the turn of economic events, although the signs were evident in hind sight, caught most of us by surprise.

The Institute naturally also felt the jitters. We were greatly concerned about the backlash the Institute could suffer in the process as we started to hear stories of internal audit departments in certain industries suffering the consequences of the recession. In addition, we knew that the crisis would inevitably leave its mark on the international conference and we had to revise our projections and increase cost cutting measures. This was further aggravated by the spread of the H1N1 virus, which was another reason why international delegates may have decided not to attend the conference.

Despite all the negative signs in the market, I am happy to report that the Institute has been able to stay above water and deliver on many of its objectives without a negative bottom line.

THE SECRETARIAT

The international conference, being the key deliverable for 2009, absorbed much of the Institute's resources and thus greatly diminished our capacity to deliver on the normal areas of business. The staff therefore had to contend with more pressure than in a normal year. In addition, we also had to deal with the effects of some staff turnover during the year. Nevertheless, through the significant sacrifices made by the staff, we managed to maintain the output at an acceptable level. During the year two replacements were appointed with four positions being vacant as we entered 2010. All efforts are being made to find suitably qualified replacements.

TECHNOLOGY

Technology as an enabler of the key strategic objectives, is an integral part of the infrastructure needed to continue serving our members at the right level. With this understanding, the Institute has started to work on the application of technology to serve our needs. In particular, the current focus is on the development of an integrated system which will allow the seamless interaction between recording and reporting systems and structures among the various departments. The Institute is also focussing strongly on revamping the website which is earmarked to migrate to an interactive, user friendly website which will contain more vital information for members. Although much work had been done in 2009 on these interventions, they will only be fully implemented in the course of 2010.

THE INTERNATIONAL CONFERENCE

Despite the odds being stacked against it (economic crisis, which resulted in many companies cutting back on training and travel expenses and the outbreak of the H1N1 virus), the conference was a resounding success. Under the leadership of Anton van Wyk, as the chairman of the steering committee, and Veronica du Preez, who was responsible for the operational implementation, the conference was a world class act. The authentic South African feel and the outstanding program contributed to what has now been labelled one of the best international conferences ever. South Africans can be proud of the fact that we have managed to impress the world. This is evidenced by the numerous messages that we have received from all over the world in which we have been commended for an outstanding conference.

Despite being priced significantly lower than the two previous international conferences, the conference managed to realise a very good profit which dispelled our initial fears of a possible deficit as a result of the economic climate. The profit was mainly due to good deals negotiated with suppliers based on our long standing relationships as well as doing much of the work, which ordinarily would be outsourced, ourselves. For example, all the marketing designs were created in-house, which saved the conference a significant amount of money. Furthermore, the overwhelming support from the local delegates was the conference's saving grace. Without the support of these delegates, our worst fears may have been realised. The statistics below clearly



show that our members made up the biggest percentage of the delegates. The numbers confirmed that our objective of giving South Africans the opportunity to attend an international conference had been met.



- Total number of delegates 1529
- Number of countries 90 (Including social delegates and speakers)
- SA delegates 907
- Europe 191
- Africa 227
- USA 95 (Incl. IIA Inc staff)
- Asia 119
- Rest of world 156
- Total number on site 2042

MEMBERSHIP

It is evident that membership has not yet reached a plateau. We have experienced continued growth and it is expected that the upward trajectory will continue as there are still many who are practicing internal audit, but have not yet joined the Institute as members.

Membership has grown from 5819 (May 2008) to 6272 (May 2009) fully paid up members. The total number of paid up members at 30 November 2009 was 6266.

The integrated system alluded to under the technology section above, will enable us to stratify the membership base and report on statistics such as race, constituency, gender and the like in future.

There is still a trend in certain government entities to refuse to allow their audit departments to pay membership fees on behalf of their staff. This has resulted in many internal auditors in the public sector no longer being tied to their professional body. The Institute has developed a document that clearly outlines the economic benefits of being a member of the Institute.

TECHNICAL

The technical department primarily focused on giving members technical advice, Quality Assurance Reviews, commenting on various areas and managing the bookstore.

Technical Committee

The Technical Committee, which met three times during 2009, issued commentary on the following drafts:

- Companies Bill
- Various IIA Inc. releases and advocacy comments such as:
 - o Strengthening Enterprise Risk - Managing for Strategic Value – COSO
 - o Internal Audit programs being created by the IIA Inc.
 - o GTAG 11-13
 - o INTOSAI 9140 & 9150 Exposure drafts
 - o Leading the response to COSO on their document on the global financial crisis.
 - o Comments on changes in the Practice Advisories and Standards
- King III

Technical Advice

Telephonic technical queries remain a consistent part of the daily routine of the technical department. Resultant from the types of queries received the following areas have been identified as needing attention in the coming financial year:

- Audit methodology for internal audit
- Audit programs
- A Frequently Asked Questions document

The department will also focus on projects which have arisen from the Companies Act and King III. These include:

- Internal audit’s role in combined assurance
- Assurance on internal financial controls
- Assurance on controls

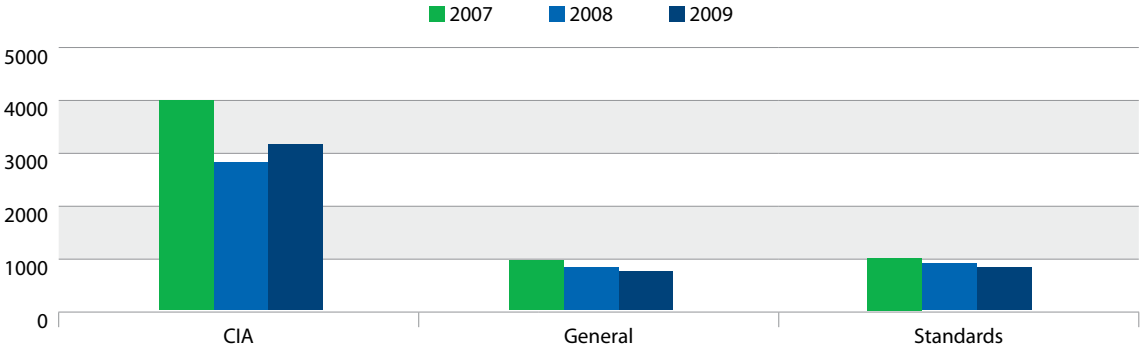
Quality Assurance Reviews

Eight quality assessments were conducted during the 2009 financial year. This amounts to two less than those conducted in the previous year. Of the eight assessments, seven were full quality assessments and the eighth a validation. One “Generally Conforms” and seven “Partially Conforms” ratings were attained.

Bookstore

The change of Gleim study guides from the 13th to 14th edition, coupled with the late availability of the 14th edition from the supplier, resulted in out of stock situations over the first half of the year. As a result the bookstore was placed under pressure during that period.

We have noticed a decline in the number of books sold over the last three years. The decline has been ascribed to the steep increase in dollar prices as well as the decrease in the number of CIA parts being registered for. The international conference boosted conference sales by 100%.



Volume of sales per category of books

EDUCATION AND TRAINING

The Education and Training department worked closely with the Education and Training Committee on key strategic issues. The single most important issue that was focused on is the role that the structured on-the-job training should play in the career path of all internal auditors. This is a key imperative in the professionalisation of internal audit. The committee is in the process of finalising the re-positioning of the Institute’s professional on-the-job training program (learnerships).

Learnerships

An increasing number of organisations are starting to understand the value that the learnerships bring in upskilling their staff. We are therefore seeing growing numbers of organisations showing interest in our program and escalating adoption rates. The success rate with the programs has been phenomenal as the programs provide a vehicle for accelerated learning.

A total of 19 programs were run during the year. Of these 8 IAT programs and 1 GIA were completed. There are still 10 programs in progress. We were proud to see 77 IAT trainees being declared competent with 20 GIA trainees graduating from the program. These numbers are not nearly enough to address the skills shortage, but they are an encouraging indicator of what the profession can produce.

To date the Institute has produced a total of 345 IAT and 30 GIA graduates.

Certifications

The migration from the paper based exam to computer based testing (CBT) in 2008 was not an easy process, but undoubtedly the right choice in terms of the delivery mechanism for the exam. The use of technology has made it so much easier for candidates to write the exam and, more importantly, it removed the time barrier as candidates no longer have to wait for the two exam times in the year. The result of problems experienced during the transition to CBT is that we experienced a drop off in terms of the number of registrations. I am happy to report that, although we have not fully recovered in terms of the number of parts being written, the numbers are looking a lot better than the previous year's. Although the number of candidates has caught up with the 2007 figures, the individual candidates have, on average, registered for fewer parts than in previous years. This may be a result of having more freedom in terms of when the exam can be written, in other words, not being forced to attempt more parts in one exam as they would have to wait months before they could write again. It is also possible that the economic climate has compelled many to register for fewer parts than intended.

The table below illustrates the drastic change in numbers.

	2007	2008 (introduction of CBT)	2009
Parts written	3902	1956	2995
CIA candidates	2040	865	2054

The specialty exams followed the same pattern as the CIA exams with the migration to CBT. As the launch of the specialty CBT exams was later in 2008 than the CIA exams, the numbers were affected more adversely.

TERTIARY INSTITUTIONS

The Education and Training department has maintained a close relationship with the relevant tertiary institutions. The University of Pretoria and Unisa are the two universities that are endorsed by the IIA Inc. and have obtained IAEP status.

In terms of the professionalisation of internal audit, the tertiary institutions play a key role. One of the important elements of a professional is an academic qualification. The Institute therefore regards the tertiary institutions as a key stakeholder in providing the foundation for the creation of skilled internal auditors.

COURSES AND CONFERENCES

Despite the fears that courses may suffer under the economic crisis, the numbers have increased over the previous year's. This is a strong indicator that the profession is earnestly seeking to address the skills shortage. With a total of 2921 delegates being trained during the year, the Institute has been able to meet its objective of assisting organisations in the training of their staff.

There have been numerous requests for training at CAE level in recent times. To this end, the Institute focused on the development of CAE level courses during 2009. These are being launched in 2010.



REGIONS

Under the leadership of the Regional Governors, the committees in the regions have been able to provide networking opportunities for the members in their constituencies. The appointment of the Regional Administrator has gone a long way in assisting the committees in the execution of their duties from an administrative point of view. My predecessor, Veronica du Preez met with the Regional Governors on three occasions during the year.

The establishment of Lesotho, Namibia and Swaziland as independent institutes is still underway and are all in different stages of completion. The independence factor is important in that the members in those countries need to engage with their governments as independent bodies. As reported previously, the IIA SA will remain the administrator for these countries as there is not enough critical mass to establish secretariats to support these institutes.

AFRICA

We are proud to announce that the long overdue establishment of an African Federation finally took place in May 2009. The African Federation of Internal Audit Institutes has appointed Linda Yanta as the chairman and we have retained the services of my predecessor, Veronica du Preez as the co-ordinator for the federation until the necessary structures are put in place.

The IIA SA believes that South Africa has a vested interest in the development of internal audit on the continent, not only from the perspective that our reputation is impacted upon by the way the world views the continent, but also from the point of view that many South African companies are branching out into the rest of the continent. It is in the best interest of these organisations that the governance structures in those countries are strong and that there is pool of skilled internal auditors to recruit from.

GLOBAL PLAYER WITH LOCAL RELEVANCE

The IIA SA has traditionally been very active on a global level with South African representatives on most of the IIA international committees. A full list of the representatives is given elsewhere in the Annual Report. These members should be commended for their tireless efforts to give back to the Profession by serving on the committees.

We have therefore been able to continue to influence matters impacting on the profession globally. We have also been able to comment on global matters that may not suit our local needs for example the lack of structured on-the-job training as a global imperative.

CHALLENGES AHEAD

Professionalisation of internal audit

One of the biggest challenges facing the Profession at present is the perception in the market that many internal auditors are not true professionals and/or are not competent enough to meet the requirements of the market. The launch of King III has put the spotlight on Internal Audit. This is both a blessing and a curse. A blessing in that it is doing wonders for bringing Internal Audit to the fore and has become a great advocacy tool for the Profession. It is on the other hand a curse in that it has raised expectations that we may not be able to meet in all sectors of this discipline. This is often due to the fact that employers, who do not understand Internal Audit, employ people into internal audit positions who are not suitably qualified, nor members of the Institute which is the custodian of the Standards and the Code of Ethics. As a result, the Institute has identified the need to accelerate the process of setting clear guidelines on what constitutes a professional and stipulate the minimum standards and elements that make up an internal audit professional.

The roll-out of the structured on-the-job training offered by the Institute will receive more of the Institute's attention as members will be encouraged to incorporate this as a crucial step in the career path of internal auditors.



Serving Chief Audit Executives (CAEs)

The year ahead will also be devoted to creating opportunities for leadership development and networking among peers. The Institute recognises that the leadership layer has to be supported and strengthened as the Profession takes the quantum leap to the next level.

The Institute has already developed some courses aimed at CAEs and will continue to seek to create opportunities for the leaders in the profession to remain informed lifelong learners.

Using technology to connect members and serve members in the remote areas

One of the biggest challenges that the Institute has always been faced with is how to adequately serve the Continuing Professional Development needs of the members in the remote areas. The biggest constraint has always been the cost of taking courses to the smaller areas. In addition, it is always difficult to find a date and topic that suit enough people to create critical mass that would make the hosting of a course viable.

In this context the Institute has started to investigate the possibility of using technology to meet the learning requirements of members. Investigations are under way to test costs as well as bandwidth capability.

Recognition of the profession

It is important to recognise that the competence of members and the level of value being added to organisations are crucial elements in ensuring the recognition of the profession. It is thus the internal auditors themselves who are the greatest ambassadors of the profession.

Nevertheless it is also important that the Institute embark on advocacy initiatives to raise the profile of the profession and the Institute. To this end, the Board has set aside funds specifically earmarked for advocacy initiatives. The secretariat will therefore embark on extensive interventions to work toward the increased recognition of the Internal Audit Profession

A key initiative is the involvement of the IIA SA in the formulation of an Audit Committee Forum for the public sector. The partners involved in this initiative include the IIA SA, National Treasury, the IOD, SAICA, and the Auditor General. It was initiated to ensure the development and retention of high level audit committee members.

Infrastructure

In terms of infrastructure, there are two elements that need urgent attention. The first is the upgrading of technology used by the Institute to run its daily affairs, and also to increase the level of service to members. Reference to technology has been highlighted earlier in this report.

The second element is that of the premises occupied by the secretariat. The last few years have seen an escalation of courses offered as well as an increase in staff members. The Institute has therefore now arrived at a stage where it has outgrown the building that it occupies. The Board has therefore asked management to investigate the feasibility of buying another building which would be able to meet the immediate and future needs of the Institute.

CONCLUSION

The year 2009 brought with it some challenges, but all in all it was a very good year for the profession in South Africa. The challenges were vastly overshadowed by the great achievements such as South Africa successfully hosting the International Conference (for the first time ever on the face of this continent) and significant highlights such as the launch of King III.

I believe that the profession is now standing at the door of one of its most exciting phases. We now have the opportunity to collectively propel the profession forward as we take the quantum leap to the next level of excellence.

Dr Claudelle von Eck
Chief Executive Officer



DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 November 2009.

NATURE OF BUSINESS

The Institute of Internal Auditors South Africa is a professional association of individuals involved in the practice of internal auditing.

The Institute's mission is:

To enhance the integrity, relevance and standing of the profession and the Institute to the benefit of society and to provide outstanding service and valued products to its members.

STATEMENT OF RESPONSIBILITY

The Board of the IIA SA is the highest level of authority at the IIA SA. It is elected by members, and as such represents their interests. The Board is responsible for, inter alia:

- Ensuring the financial statements have been prepared based on appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates;
- Ensuring that adequate accounting records and an effective system of internal control are maintained;
- Determining whether the going concern assumption is appropriate;
- The appointment of external auditors to express an opinion on the financial statements in accordance with international standards on auditing;
- The total process of risk management;
- The implementation of an ongoing process for ensuring the application of the principles in the King 3 report on corporate governance, as far as it is appropriate for the IIA SA; and
- The preparation of the annual report.

To enable the Board to meet its responsibilities, management maintains a system of internal control designed to provide reasonable assurance, in a cost effective manner that the assets are safeguarded and that transactions are performed and recorded in accordance with IIA SA policies and procedures.

GOVERNANCE STATEMENT

The IIA SA Board fully subscribes to the principles of sound corporate governance as per the King 3 Report. During the year Audit, Risk and Finance Remuneration, Nominations and Disciplinary Committees met several times and various initiatives were completed.

The IIA SA is committed to promoting the highest standards of ethical conduct, and our Code of Ethics recognizes the ethical obligations of each member and the importance of the values of honesty, transparency and fairness.

In keeping with the Directors' stated commitment of upholding the integrity and ethical image of the profession in South Africa, contraventions of the Code of Ethics which were reported to the Disciplinary Committee were promptly and fairly investigated.

RISK MANAGEMENT

The IIA SA maintains a risk register along with documented internal controls. At least annually, the Board reviews and rates the top risks of the Institute. The IIA SA's Audit, Risk and Finance Committee provides oversight of the risk management at secretariat level as well as risks that may affect the profession within the South African context.



REPORT OF THE AUDIT, RISK AND FINANCE COMMITTEE

We are pleased to present our report for the financial year ended 30th November 2009.

AUDIT, RISK AND FINANCE COMMITTEE MEMBERS AND ATTENDANCE:

The audit, risk and finance committee (committee) consists of the members listed hereunder. Seven meetings were held during 2009, all of which were by teleconference call.

The committee consists of the following members:

Shirley Machaba Chairman
Joe Lesejane Term came to an end on 2 April 2009
Fatima Ally
Phuti Semanya
Mmathabo Sukati

AUDIT, RISK AND FINANCE COMMITTEE RESPONSIBILITY

The committee reports that it has complied with its responsibilities arising from the Corporate Law Amendment Act, No 24 of 2006 (the Act) that became effective on 14 December 2007. The committee also reports that it has adopted appropriate formal terms of reference as its committee charter. During the year, the committee regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the Act and the King III Report on Corporate Governance requirements, Internal Audit and External Audit (combined assurance) provides the Board, the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

INTERNAL AUDIT

The committee is satisfied that the Institute's top ten risks have been identified and have received adequate attention. Due to the size of the Institute, it is not feasible to have an in-house internal audit function, nor is it feasible to outsource the function from a cost perspective. To this end, the Institute periodically engages the services of volunteers to conduct an internal audit. No internal audit took place during 2009, but it is envisaged that volunteers will be engaged to conduct the audit in the second quarter of 2010.

EXTERNAL AUDIT

The committee is directly responsible for the appointment (subject to member ratification), compensation, retention, and oversight of the independent auditors. The committee has satisfied itself through enquiry that the auditors of the Institute are independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2009 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time.

The committee has nominated, for approval at the annual general meeting, SAB&T as the external auditor for the 2010 financial year.

ANNUAL FINANCIAL STATEMENTS

The committee has reviewed and recommended the annual financial statements to be included in the annual report for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the annual general meeting which is scheduled for 21st April 2010.

Shirley Machaba
Chairman of the Audit, Risk and Finance Committee

STATEMENT ON SUSTAINABILITY

The IIA SA has continued to experience growth in most of the key areas in 2009, as reflected in the table and graphs below.

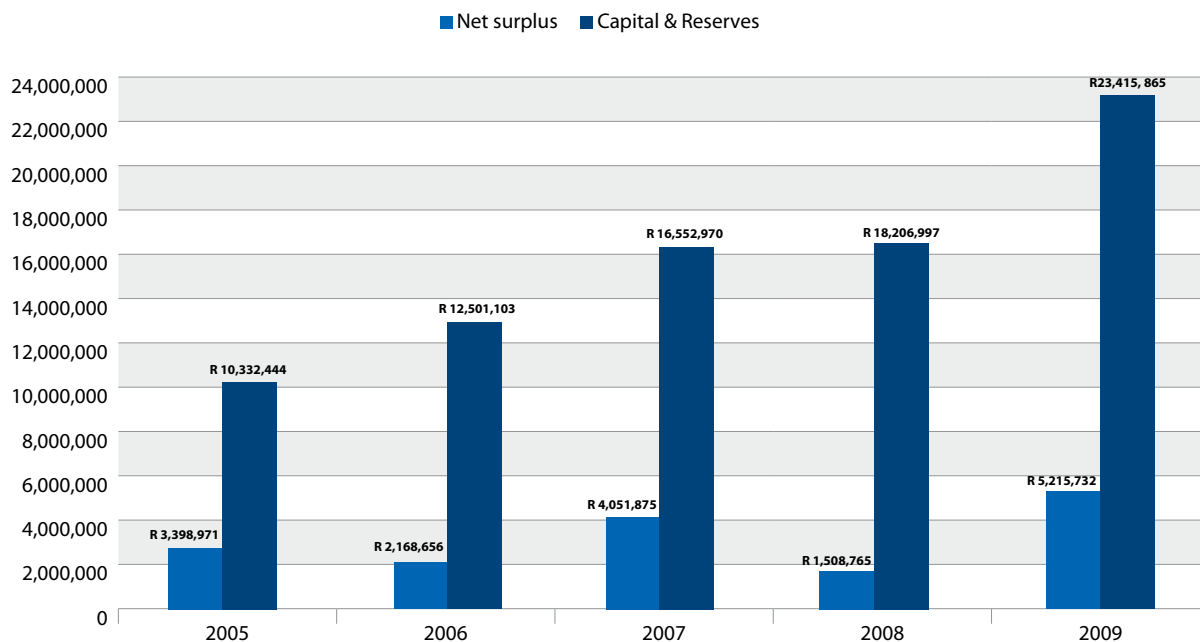
	2005	2006	2007	2008	2009
Net surplus	R 3,398,971	R 2,168,656	R 4,051,875	R 1,508,765	*R 5,215,732
Capital & Reserves	R 10,332,444	R 12,501,103	R 16,552,970	R 18,206,997	**R23,415,865
Paid-up Membership	3,800	4,622	5264	5819	6272
CIA Exam (Parts written)	3,003	3689	3902	1956	2995
CIA Candidates	1,290	1594	2040	865	2054
Conference delegates	1,433	1,550	1581	1563	***1728
Course delegates (including in-house courses)	1113	1308	1806	2326	2921
Learnership candidates	218	349	638	715	484
Number of Staff	16	19	20	24	25

* A significant contribution to the surplus came from the International Conference held during the year under review.

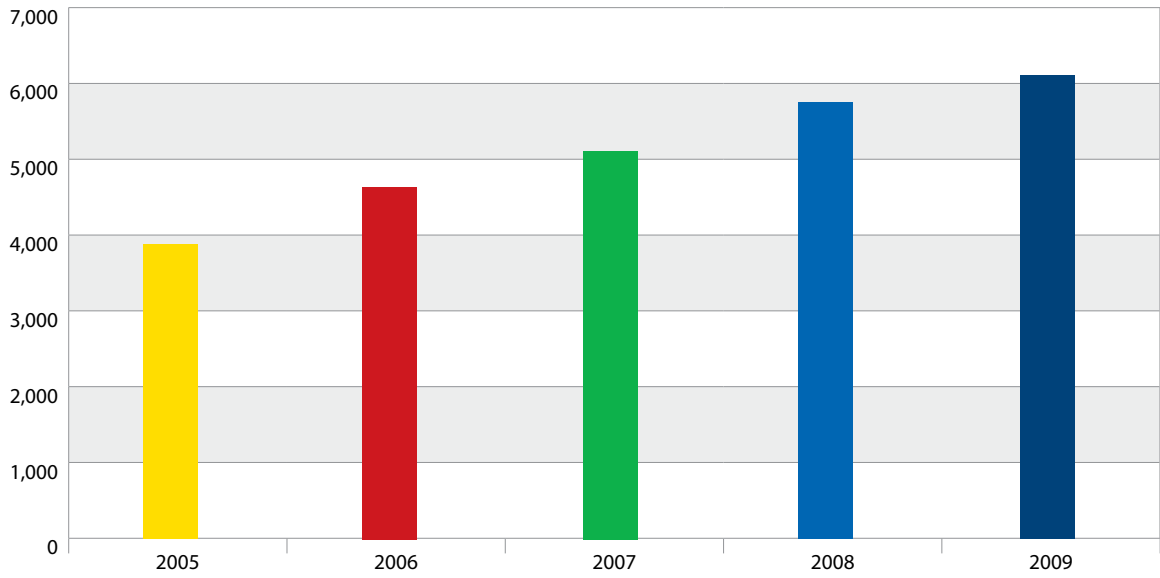
** The Reserves are adequate to cover the staff salaries and committed costs for the next two years.

*** Due to the International Conference, the annual National Conference was not held in 2009.

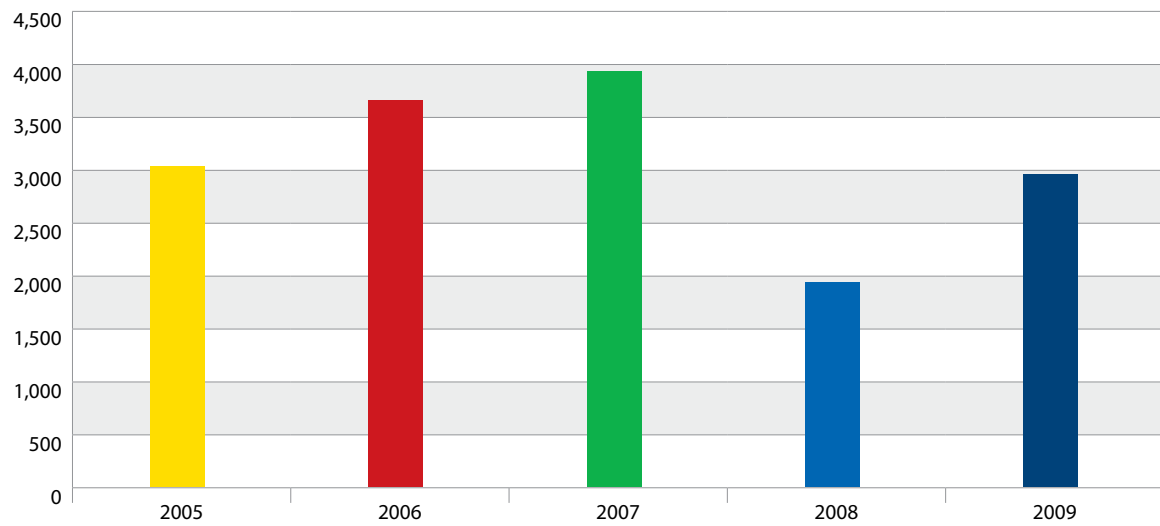
Net surplus vs. Capital



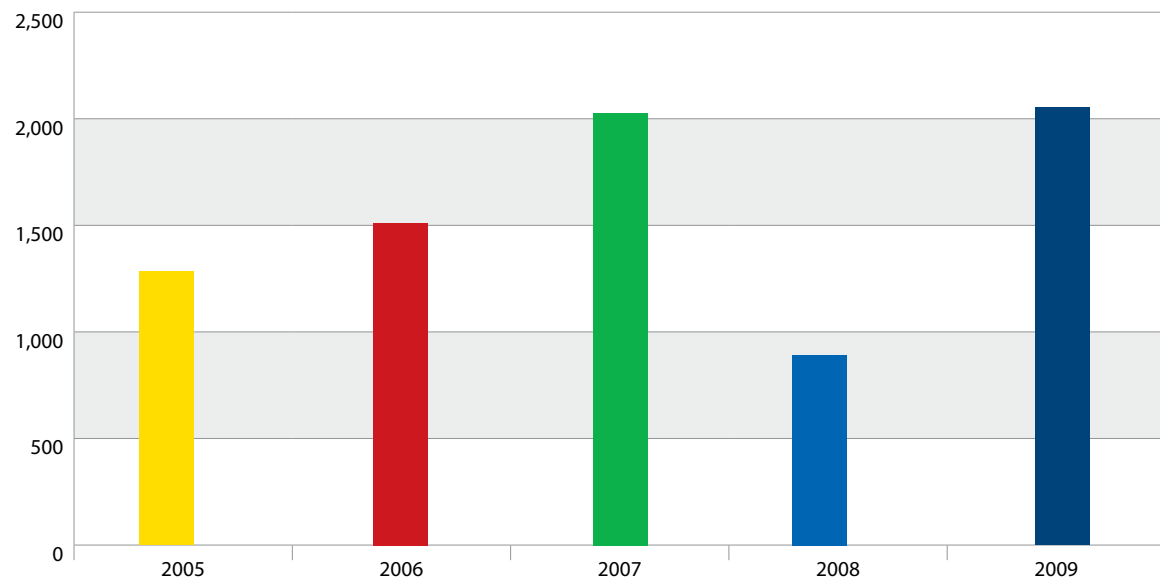
Paid-up Membership



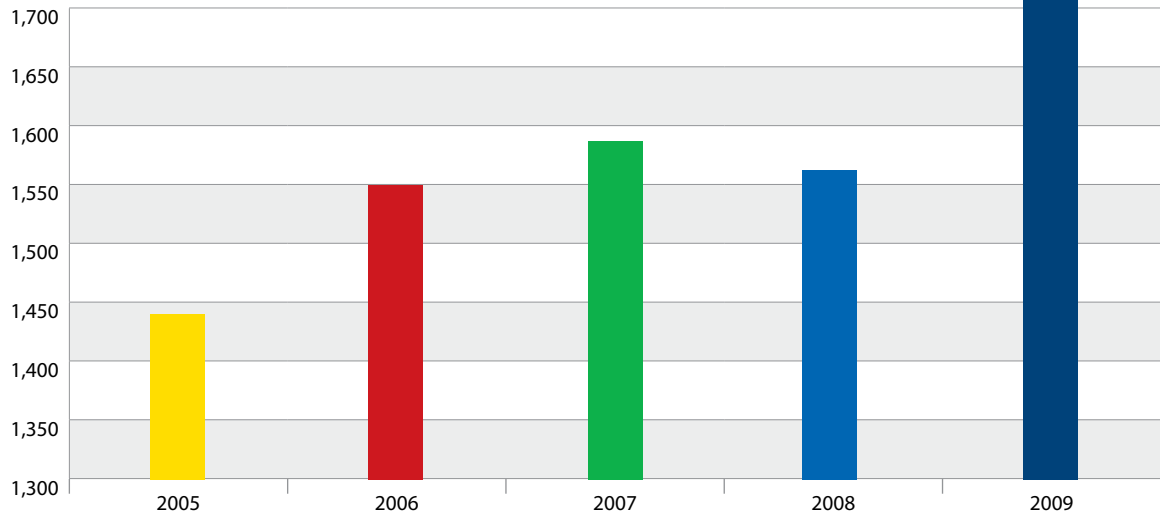
CIA Exam (Parts written)



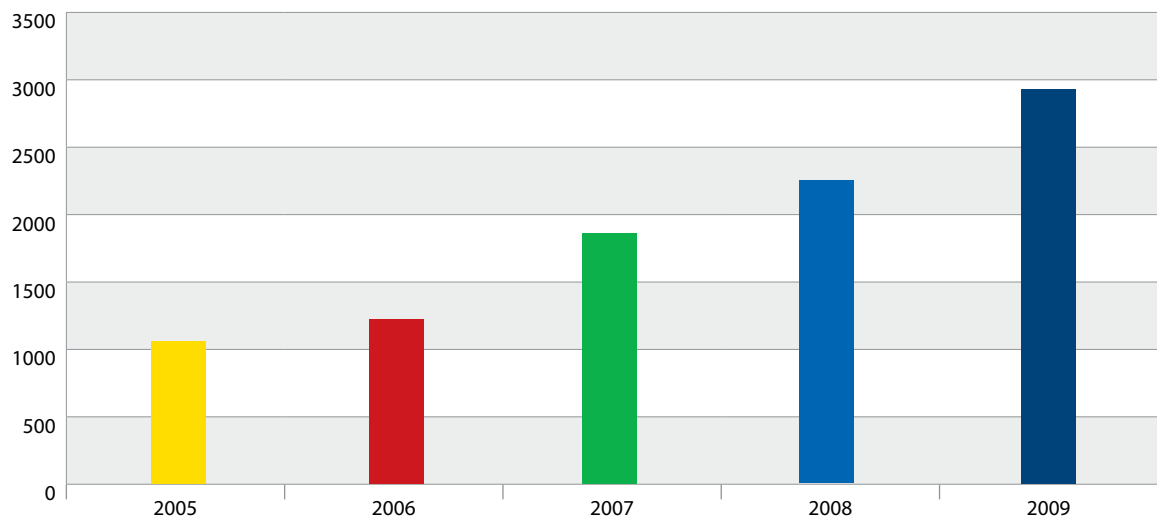
CIA Candidates



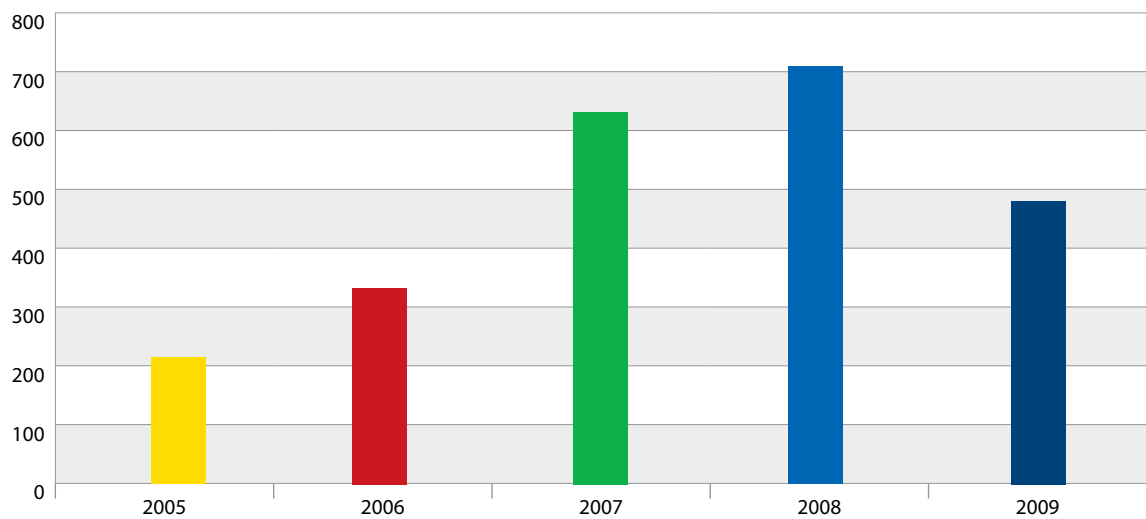
Conference delegates



Course delegates (including in-house courses)



Learnership candidates



DIRECTOR'S EMOLUMENTS

Remuneration of the Executive Director amounted to R 1,299,460 (See note 9 for a full breakdown). The Executive Director is not bound by a Director's Service contract nor are Director's Fees or benefits paid.

While the CEO is a fulltime employee of the Institute, the non-executive directors offer their services voluntarily, and do not receive remuneration of any kind.

STATEMENT ON EMPLOYMENT EQUITY

The IIA SA fully supports the spirit and intent of Employment Equity legislation. An Employment Equity policy has been in place and implemented since November 2001.

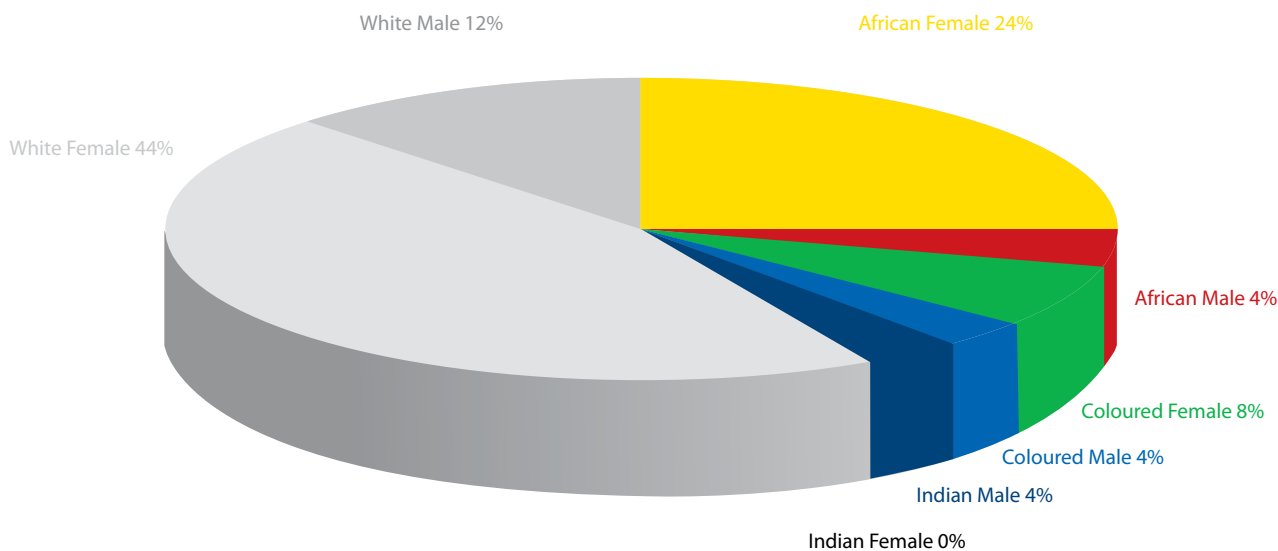
As a designated employer, the IIA SA has submitted an Employment Equity Plan and progress report to the Department of Labour in October 2008. The next report is due in October 2010. There were 2 resignations and 1 dismissal in 2009.

Staff statistics as at November 2009 are as follows

Gender Breakdown		EE Profile	
Male	6	PDI employees	22
Female	19	White male employees	3

Employee Demographic Profile

■ African Female
 ■ African Male
 ■ Coloured Female
 ■ Coloured Male
 ■ Indian Female
 ■ Indian Male
 ■ White Female
 ■ White Male



DIRECTORATE

Below is a list of all the directors who held office during the year. All non-executive Directors are appointed or re-appointed at the AGM, which this financial year was held on 2 April 2009.

Name	Position	Board Committees served on	Date appointed (mm/yy)	Status	Board meetings attended
Justine Mazzocco	President	Remuneration	04/05	Active	8/8
Shirley Machaba CCSA	Sen Vice President	Audit Risk and Finance	04/05	Active	4/8
Fatima Ally	Vice President	Audit Risk and Finance / Disciplinary	04/09	Active	4/6
Philip Barton	Vice President	Disciplinary	04/08	Active	1/8
Clarence Benjamin	Vice President	Nominations	04/09	Active	5/6
Everhard Carstens CIA	Vice President	CPD	04/07	Term expired 04/09	1/2
Thienus Coetzee CIA, CCSA	Vice President	Disciplinary	03/04	Term expired 04/09	1/2
Sikhungo Dube	Vice President	Disciplinary / Public Sector	04/05	Term expired 04/09	1/2
Veronica du Preez CIA	Chief Executive Officer		04/01	Retired 12/09	8/8
Jacob Hlatshwayo	Vice President	Public Sector	04/08	Active	4/8
Andrews Kyereh CIA	Vice President	Education and Training	04/07	Term expired 04/09	2/2
Joe Lesejane CCSA	Vice President	Audit Risk and Finance	03/01	Term expired 04/09	2/2
Felicia Msiza	Vice President		04/09	Active	4/6
Celestine Munda	Vice President	Technical / Remuneration	04/09	Active	4/6
Rob Newsome CIA	Past Past President	CPD / Technical	08/95	Active	6/8
Liezel Samuel CIA	Vice President	Disciplinary	04/07	Resigned	5/6
Phuti Semanya CIA, CCSA	Vice President	Audit Risk and Finance / Nominations	04/07	Active	5/8
Mmathabo Sukati CIA, CCSA	Vice President	Audit Risk and Finance / Public Sector	04/09	Active	2/6
Andre Theron CIA	Past President	Nominations	02/08	Term expired 04/09	1/2
Riaan Thiar CIA	Vice President	Technical / Education and Training	04/09	Active	2/6
Arno Vorster	Vice President	Conferences	04/05	Active	8/8
Linda Yanta CIA	Past President	Remuneration	04/05	Active	7/8

The Board met 8 times during the year

INTERNATIONAL REPRESENTATION

The IIA SA has representatives on most of the international committees as well as representation on the international Board. As at November 2009.

International Committee representation	Name	Status
Board	Linda Yanta CIA	Active
Academic Relations Committee	Andrews Kyereh CIA Philna Coetzee CIA	Active Active
Advanced Technology Committee	Jacques Lourens	Active
Board of Regents	Anton van Wyk (Chairman) CIA Glenn Ho CIA	Active
Board of Research and Education Advisers	Linda Yanta CIA	Active
Chief Staff Officers	Veronica du Preez CIA	Active
Committee on Quality	Judy Grobler CIA	Active
Communications Advisory Committee	Claudelle von Eck	Active
Ethics Committee	Thienus Coetzee CIA, CCSA	Active
Global Advocacy Committee	Veronica du Preez CIA	Active
Governance Committee	Rob Newsome CIA	Active
Government Relations Committee	Sikhungo Dube	Active
International Conference Committee	Anton van Wyk CIA Veronica du Preez (non-voting) CIA	Active Active
International Relations Committee	Justine Mazzocco	Active
Membership Committee	Shirley Machaba CIA	Active
Professional Issues Committee	Debbie Loxton Charles Nel CIA	Active Active
Research Foundation Board of Trustees	Liezel Samuel CIA	Resigned
Standards Board	Riaan Thiart CIA	Active

SECRETARY

The secretary of the company is C von Eck, whose business and postal address is:
Unit 2, Bedfordview Office Park, 3 Riley Road, Bedfordview, 2008

AUDITORS

SAB & T Incorporated were the auditors for this financial year.

FINANCIAL STATEMENTS

INCOME STATEMENT

For the year ended 30 November 2009

	NOTE	2009	2008
		R	R
Revenue	6	25,115,681	23,678,188
Interest received	8	1,128,465	1,323,308
Gross income		26,244,146	25,001,496
Expenditure		21,028,414	23,492,731
Surplus for the year	7	5,215,732	1,508,765

BALANCE SHEET

At 30 November 2009

	NOTE	2009	2008
		R	R
Assets			
Non current assets			
Property, office furniture & equipment	2	3,892,615	3,736,354
Intangible assets	3	31,537	36,703
		3,924,152	3,773,057
Current assets			
Inventories	4	537,565	341,623
Trade and other receivables	12.1	4,233,310	6,208,322
Cash and cash equivalents	13.2	22,230,127	15,749,069
		27,001,002	22,299,014
Total assets		30,925,154	26,072,071
Equity and liabilities			
Capital and reserves			
Distributable reserve	16	22,415,865	17,206,997
General reserve		1,000,000	1,000,000
		23,415,865	18,206,997
Current liabilities			
Trade and other payables		2,523,768	1,832,455
Deferred revenue	14	4,310,686	4,682,597
Unidentified direct deposits		214,338	177,285
Provisions	5	460,497	1,172,737
		7,509,289	7,865,074
Total equity and liabilities		30,925,154	26,072,071

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2009

	General Reserve	Distributable Reserve	Total
Balance at 01 December 2008	1,000,000	17,206,997	18,206,997
International conference consolidation adjustment	-	-147	-147
	1,000,000	17,206,850	18,206,850
Net surplus for the year	-	5,215,732	5,215,732
Net capital applied for the year - regions	-	-6,717	-6,717
Balance at 30 November 2009	1,000,000	22,415,865	23,415,865

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2009

	NOTE	2009	2008
		R	R
Cash flows from operating activities			
Cash receipts from customers		27,069,294	22,796,358
Cash paid to suppliers and employees		-21,419,226	-21,657,409
Cash generated by operating activities	13.1	5,650,068	1,138,949
Interest received		1,128,465	1,323,308
Foreign exchange gain		-19,787	-4,482
Net cash from operating activities		6,758,746	2,457,775
Cash flows from investing activities			
<i>Expenditure to maintain operating capacity</i>			
Net property and equipment acquired		-277,688	-80,725
Sale of property and equipment		-	-
Purchase of other intangible assets		-	-
Net cash from investing activities		-277,688	-80,725
Total cash movement of the year			
Increase in cash and cash equivalents		6,481,058	2,377,050
Cash and cash equivalents at beginning of the year		15,749,069	13,372,019
Cash and cash equivalents at end of the year		22,230,127	15,749,069

NOTES TO THE FINANCIAL STATEMENTS

AT 30 NOVEMBER 2009

1. BASIS OF PREPARATION

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and equipment when appropriate.

1.1 Revenue recognition

Interest is recognised on a time proportion basis which takes into account the effective yield on the asset over the period it is expected to be held. Revenue comprises subscription income, book sales, conference fees, educational course fees, certification fees and other ancillary income. Subscription income is accounted for on the accrual basis.

1.2 Property, office furniture and equipment

All are initially recorded at cost and any impairment in value. Depreciation is calculated on the straightline method to write off the cost or the revalued amounts of each asset, to their residual values over their estimated useful lives. The depreciation rates applicable to each category are:

Buildings	0%	Computer equipment	33.33%
Office furniture and equipment	20%	Computer software	33.33%

Land is not depreciated as it is deemed to have an indefinite life. The carrying values of property, office furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

1.3 Intangible assets

Expenditure on acquired patents, trademarks and licences is capitalised and amortised using the straightline method over their useful lives. Intangible assets are not revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. The amortisation rates applicable to intangibles assets is 33.33%.

1.4 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a first in, first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective inventories.

1.5 Provisions

Provisions are recognised when the IIA SA has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation, and a reliable estimate of the obligation can be made.



1.6 Retirement benefits

Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service. The provision for employee entitlements to wages, salaries, annual and sick leave represents the amount that the IIA SA has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provision has been calculated at undiscounted amounts on the current salaries and wage rates.

Retirement benefits

The IIA SA contributes to a defined contribution plan for two employees only (historic) and contributions are charged against income as incurred.

1.7 Translation of foreign currencies

Transactions

Foreign currency transactions are recorded, on initial recognition in Rand, by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the transaction.

At each balance sheet date:

- (a) foreign currency monetary items are reported using the closing rate,
- (b) non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction and,
- (c) non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on reporting an enterprise's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Disclosure about financial instruments to which the IIA SA is a party, is provided in note 10 to the annual financial statements.

1.8 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

1.9 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Institute unless otherwise stated.



2. PROPERTY, OFFICE FURNITURE AND EQUIPMENT

	2009 Cost / valuation	2009 Accumulated depreciation	2009 Carrying Value	2008 Cost / valuation	2008 Accumulated depreciation	2008 Carrying value
	R	R	R	R	R	R
<i>Owned Assets</i>						
Land and Buildings	3,553,135	-	3,553,135	3,553,135	-	3,553,135
Furniture and Fittings	800,674	553,632	247,042	591,243	488,232	103,011
Computer Equipment	370,323	312,739	57,584	356,568	293,990	62,578
Computer Software	134,916	100,062	34,854	105,383	87,753	17,630
	4,859,048	966,433	3,892,615	4,606,329	869,975	3,736,354

The carrying amounts can be reconciled as follows:

2008	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R	R	R	R	R
<i>Owned Assets</i>					
Land and Buildings	3,553,135	-	-	-	3,553,135
Furniture and Fittings	122,204	44,648	-	-63,841	103,011
Computer Equipment	61,697	36,535	-	-35,654	62,578
Computer Software	7,504	17,542	-	-7,416	17,630
	3,744,540	98,725	-	-106,911	3,736,354

2009	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	R	R	R	R	R
<i>Owned Assets</i>					
Land and Buildings	3,553,135	-	-	-	3,553,135
Furniture and Fittings	103,011	209,430	-	-65,399	247,042
Computer Equipment	62,578	38,724	-	-43,718	57,584
Computer Software	17,630	29,534	-	-12,310	34,854
	3,736,354	277,688	-	-121,427	3,892,615

The land and Building consist of

Building	3,123,135
Land	430,000

Unit 2, Bedfordview Office Park, Bedfordview Ext 928 & 328. This property is un-encumbered.

3. INTANGIBLE ASSETS

	2009 Cost / valuation	2009 Accumulated depreciation	2009 Carrying Value	2008 Cost / valuation	2008 Accumulated depreciation	2008 Carrying value
	R	R	R	R	R	R
Intangible assets- non-operating computer software	65,879	-34,342	31,537	65,879	-29,176	36,703

2008	Carrying value at beginning of year	Additions	Reduction in Carrying Value	Depreciation	Carrying value at end of year
	R	R	R	R	R
Intangible assets	59,868	-	-18,000	-5,165	36,703

2009	Carrying value at beginning of year	Additions	Reduction in Carrying Value	Depreciation	Carrying value at end of year
	R	R	R	R	R
Intangible assets	36,703	-	-	-5,166	31,537

4. INVENTORIES

The amounts attributable to the different categories are as follows:

	2009	2008
	R	R
Regalia	13,313	13,374
Books	524,252	328,249
	537,565	341,623

5. PROVISIONS

The amounts attributable to the different categories are as follows:

	Carrying amount at beginning of year	Movements: decrease	Carrying amount at end of year
	R	R	R
VAT	678,576	-678,576	-
Leave pay	474,161	-33,664	440,497
Bursary fund	20,000	-	20,000
	1,172,737	-712,240	460,497

6. GROSS REVENUE

Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of membership fees and services supplied as well as donations and sundry income.

7. OPERATING SURPLUS

Operating surplus is stated after:

	2009	2008
	R	R
Income		
Bad debts recovered	-	3,947
Expenditure		
Audit fee	58,639	52,000
Depreciation	121,427	106,911
Amortisation of Intangible Assets	5,166	5,165
Contribution to post retirement benefit plan	58,159	48,380

8. INTEREST RECEIVED

	2009	2008
	R	R
Interest received	1,128,465	1,323,308

9. DIRECTOR'S EMOLUMENTS

	2009	2008
	R	R
Services as Executive Director		
- Salary	1,165,350	965,600
- Bonus	40,000	50,000
- Medical Aid	19,110	17,325
- Retainer: International Conference	75,000	50,000
	1,299,460	1,082,925

10. RELATED PARTIES

	2009	2008
	R	R
The IIA South Africa is affiliated to the IIA Inc.		
Payments to IIA Inc.	*2,465,162	1,397,040

* The substantial increase is mainly due to the International Conference.



11. TAXATION

No provision has been made for 2009 taxation as the IIA SA is exempt from paying income tax in terms of section 10(1)(d) (iv)(bb) of the Income Tax Act of 1962 (Act No. 58 of 1962).

12. FINANCIAL INSTRUMENTS

Foreign exchange risk

It is the policy of The Institute of Internal Auditors South Africa (Association incorporated under section 21 of the Companies Act) not to take out cover on foreign transactions. Gains and losses arising on transactions are credited to or charged against income.

Credit risk

The company only deposits cash surpluses with major banks of high quality credit standing. Accounts receivable consists mainly of outstanding membership fees. As far as possible, the necessary steps are taken to follow up on outstanding monies and to encourage members to retain their membership with the Institute. The granting of credit is made on application and is approved by Management. At year end, the IIA SA did not consider there to be any significant concentration of credit risk which has not been adequately provided for.

Interest rate risk

The Institute's activities expose it primarily to financial risk of changes in interest rates. It is the Institute's policy to deposit short-term cash investments with major banks and financial institutions with strong credit ratings.

Trade and other receivables

Based on past experience, management believes the provision for doubtful debts is adequate.

	2009	2008
The ageing of debtors and other receivables at the reporting dates was:	R	R
Current	1,874,956	3,733,344
60 days	293,290	122,548
90 days	275,744	218,180
120 days	650,790	678,849
Closing balance	3,094,780	4,752,921
Debtors regions	135,067	153,016
Prepayments	454,524	50,066
Prepayments - International Conference	-	871,552
Debtors with credit balances	598,939	430,767
Provision for bad debts	-50,000	-50,000
	4,233,310	6,208,322



13. NOTES TO THE CASH FLOW STATEMENT

13.1 Cash generated by operating activities

	2009	2008
Net surplus	5,215,732	1,508,765
Adjustments for:		
Depreciation	125,180	110,933
Interest received	-1,128,465	-1,323,308
Furniture & equipment written off	284	-
Redundant stock written off	26,857	11,440
Foreign exchange gain	-19,787	-4,482
Other non-cash items	6,717	-
Movements in working capital		
Increase in inventories	-195,942	117,654
Decrease /Increase in accounts receivable	1,975,012	-1,466,139
Increase in Prepayments: International Conference	-	-324,163
Movement in provisions	-712,240	443,478
Increase in accounts payable	356,455	2,065,346
<i>International Conference</i>	-	303,005
<i>Unidentified deposits</i>	37,053	38,291
<i>Deferred revenue</i>	-371,911	1,315,199
<i>Accounts payable</i>	691,313	408,851
Adjustment	265	-575
	5,650,068	1,138,949

13.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Increase in cash and cash equivalents	6,481,058	2,377,050
Cash and cash equivalents at beginning of the year	15,749,069	13,372,019
Cash and cash equivalents at end of the year	22,230,127	15,749,069

14. DEFERRED REVENUE

	2009	2008
Fees in advance - Membership	2,921,563	2,753,912
- Learnerships	20,613	245,665
- Exam fees	1,368,510	1,267,515
- International Conference*	-	415,505
	4,310,686	4,682,597

* Deferred revenue of R415,505 and deferred expenses of R871,552 for the international conference were included under pre-payments in 2008.

15. AUDITORS REMUNERATION

	2009	2008
Audit fees	58,639	52,000
Tax and secretarial services	-	-
Other fees	-	-
	58,639	52,000

16. DISTRIBUTABLE RESERVE

The Board has set aside funds for a number of key projects. These include a new building to address the Institute's capacity needs, advocacy, learnerships, a training program for the public sector in partnership with National Treasury, the CBOK project which includes the interpretation of results into a meaningful format for members as well as the establishment of an African Federation of Institutes.

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2009

	2009	2008
	R	R
Gross revenue	19,443,828	23,214,039
Add: International conference surplus	5,650,456	390,300
Less: Costs	11,401,761	14,043,678
Less: Regional Capital Applied	6,717	-
Less: International conference capital applied	-	846,347
Gross surplus	13,685,806	8,714,314
Other income		
Interest received	1,128,465	1,323,161
Interest - international conference	-	147
Bad debts recovered	-	3,947
Sundry Revenue	21,397	6,507
Regional contribution	-	63,248
	1,149,862	1,397,010
Total income before administration & general expenditure	14,835,668	10,111,324
Administration & General Expenditure (Refer to page 34)	9,619,936	8,602,706
Net loss /surplus	-434,724	1,508,618
Net surplus - International conference	5,650,456	93,601
Adjustment to Region's opening balances	-	-11,440
Contribution from Regions	-6,717	63,248
Retained surplus at beginning of year	17,206,997	15,552,970
International conference consolidation adjustment	-147	-
	22,415,865	17,206,997
Made up as follows:		
Central	22,058,356	16,842,771
Regions	357,509	364,226
Balance at the end of the year	22,415,865	17,206,997

ADMINISTRATION & GENERAL EXPENDITURE

	2009	2008
	R	R
Auditors' remuneration	58,639	52,000
Bad debts	39,893	28,127
Bank charges	116,282	70,938
Consulting fees	8,886	3,800
Depreciation	125,180	110,933
Electricity and water	156,607	125,805
Entertainment	5,381	2,899
Office expenses	36,271	40,906
Insurance	68,728	64,443
Library costs	19,995	26,413
AGM Costs	10,942	13,820
Sundry Expenses	80,819	95,953
Recruitment	164,752	135,149
Postage	31,952	32,704
Printing and stationery	88,248	92,169
Marketing Expenses	30,581	44,942
Repairs and maintenance	151,994	125,536
Salaries	7,254,554	6,140,513
Leave Pay	268,582	375,759
Office refreshments	64,990	37,513
Sponsorship	-	104,700
Telephone and fax and internet	291,694	230,535
Training	29,106	75,625
Travel - Local	194,465	105,715
Travel - Overseas	196,745	225,440
Travel - Overseas: Committee members	43,302	89,540
Wages: Temporary staff	79,564	150,829
Profit on disposal of fixed assets	284	-
Prizes	1,500	-
Total expenditure	9,619,936	8,602,706







**The Institute of
Internal Auditors
South Africa**

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