



**The Institute of
Internal Auditors
South Africa**

2010 INTEGRATED ANNUAL REPORT



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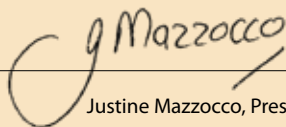
for the year ended 30 November 2010
Registration Number: 1985/003686/08

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APPROVAL AND STATEMENT OF RESPONSIBILITY

The Financial Statements which appear on pages 36 to 48 were approved by the Board of Directors on 25 March 2011 and signed on their behalf by:



Justine Mazzocco, President

25 March 2011

Date



Dr Claudelle von Eck, Chief Executive Officer

25 March 2011

Date

BASIS OF PREPARATION STATEMENT

The objective of this report is to provide all stakeholders with an integrated view of the IIA SA's economic, social and environmental performance for the 2010 financial year. The Institute embraces integrated reporting principles which provides it with the opportunity to demonstrate its commitment to integrity, transparency and accountability. The Board has chosen to be guided by the King III Code, the draft document released by the Integrated Reporting Committee and South African Statement of Generally Accepted Accounting Practice. The Institute's aim is to provide its members and other stakeholders with a complete and balanced view of its performance, which includes both the challenges and the successes. In the report the Board has concentrated on matters that are material to delivering against its strategy and that it considers to be of most interest or concern to the Institute's stakeholders.



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 statement of financial position as at 30 November 2010, and the statement of comprehensive Income, statement of changes in equity and statement of cash flows for the period then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 47.

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 2010, 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 Incorporated

SAB & T Chartered Accountants Incorporated
Registered Auditors
Per: Bashier Adam

Centurion

11 March 2011

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London (UK)

Directors: *B Adam (CEO) CA(SA), *A Darmalingam CA(SA), T J de Kock CA(SA), Y M Hassen CA(SA), N Hassim CA(SA),
S Ismail CA(SA), H Kajie CA(SA), S Kleovoulou CA(SA), S Makamure CA(SA), T M Mayet CA(SA), D R Nathoo CA(SA),
P L Popat CA(SA), *R Rajah CA(SA), *K Rama CA(SA), Z Sonpra CA(SA), M F Sulaman CA(SA), I Theron CA(SA),
H van der Merwe CA(SA), J M Wessels CA(SA). Associate Director: I. A. D. Hoosen

* Executive Committee

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



PRESIDENT'S REPORT



I have pleasure in presenting to the members the review of the Institute's activities for the financial year.

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

- Long term financial stability
- Capacity to deal with more than 6900 members
- Capacity to service a diverse membership base
- Progress on Institute Strategy
- Advocacy of the profession and meeting shareholders' expectations
- Management and Board succession

LONG TERM FINANCIAL STABILITY

Our state of finances as indicated in the annual report is healthy, having met the budgetary targets and more so in the context of the growth of the Institute. Over the last few years the Board took a decision to not increase the membership and course fees. However, we are now at a stage where we need to increase these income streams in order to ensure that we have 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, which are included in the Institute's 2011 budget and strategic plan (The majority of these projects are carried over from the prior year budget) :

- Establishment of the African Federation of Institutes of Internal Audit

- A new building for the Institute to address the capacity requirements
- Upgrading of IT Infrastructure in 2011
- Advocacy
- Learnerships
- Joint training with National Treasury
- CBOK – interpretation of results into a meaningful format for the members

The CIA revenue stream increased from the prior year, after the initial decline in revenue with the introduction of computer based testing.



New CIAs receiving their certificates

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.

CAPACITY TO DEAL WITH MORE THAN 6900 MEMBERS

Our membership base continues to grow which necessitates increased capacity to service the needs of our members. As detailed in the Human Resources 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.

Lastly our key conferences, the National Conference being our flagship 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.



2010 National Conference

PROGRESS ON INSTITUTE STRATEGY

The Strategy for the Institute has been approved by the Board and is summarised in the strategy section. I have broadly outlined progress made in certain key areas of the strategy below.

- **Create, cultivate and maintain a cohesive, vibrant and committed community of competent internal auditors**

We have started to encourage members to become more actively involved in the profession through best practice sharing and social media platforms to interact and share knowledge amongst each other without geographical location being a hindrance to communication. We should take collective responsibility for enhancing the status and credibility of Internal Audit in our respective organisations and the Profession.

- **Ensure the professionalisation of Internal Audit**

The Board has increased focus in this area in the past year. The credibility of the profession in the market greatly depends on the level of competence of our internal auditors. Therefore there has been a renewed focus on providing and creating opportunities for members to enhance their level of competence.

- **Provide Technical leadership**

The Secretariat has recently employed a resource to focus specifically on the Public Sector to provide relevant and current guidance to the members.

- **Ensure that the IIA SA's fingerprint is on the development of the profession on the African continent**

We have employed a resource to capacitate the Secretariat in developing the profession on the continent. In 2010 we have been able to assist with the establishment and growth of a number of Institutes on the African continent.

- **Build and maintain strategic alliances and partnerships**

We have close relationships with sister Institutes such as SAICA, the IoD, IRMSA and the Institute of Ethics. We have also looked at building partnerships with training providers in order to broaden the list of continuing professional

development opportunities that are available for members to choose from.



The IIA SA held the Corporate Governance Conference in collaboration with The IoDSA, IRMSA and SAICA

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 CEO, Claudelle von Eck 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 being taken forward by Claudelle with leadership and focus.

KING III

King III came into effect from 1 March 2010, bringing a heightened focus on the internal audit profession in South Africa. King III advocates and endorses the importance and the value of internal auditors as a key pillar of governance in our organisations. It has increased the expectations of stakeholders with respect to the value that internal audit should bring and consequently, we will need to address this challenge as a profession and in our individual capacity within our organisations.

The Institute has recognized the need to provide more opportunities to members to enhance skills and competencies. To this

end, as a key strategic objective, the Institute has commenced in 2010 with a number of new initiatives which are discussed in detail in the Chief Executive Officer's report.

The Institute continuously strives to have a Board of Directors that is competent, respected and also has 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. More detail is provided in the Governance Report.

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

- (i) Accountability of Board committees
- (ii) Annual evaluation of performance of the 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) Human Resources and
- (iv) Disciplinary

The Board has put the following Advisory Committees in place, and has 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.

In the past year, there has been a significant improvement in the financial performance of the Global Institute. The Global Board and its committees have been restructured. At the same time, the governance and accounting of North America and Global were separated, with their own respective committees.

BOARD AND MANAGEMENT SUCCESSION

Board changes

It is my pleasure to welcome Messrs Brian Cleak, Joyce Kumbirai and Ashley Smith who joined the board in April 2010.

We note that the terms of the following individuals have come to an end: Messrs Fatima Ally, Clarence Benjamin, Rob Newsome, Shirley Machaba, Felicia Msiza, Celestine Munda, Phuti Semenya, Mmathabo Sukati, Riaan Thiart and Arno Vorster.

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

Management

Claudelle, in her first year of leading the Institute has worked tirelessly in profiling the Institute as well as advocating the profession both locally and abroad. Her professional, engaging and enabling leadership style has been positively received by the staff and the Board.

CONCLUSION

In concluding my term 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. I have no doubt that my successor will take on the role capably and with renewed energy and commitment.

Whilst recognising that there are some real challenges ahead of us, I have full confidence that the Chief Executive and the Secretariat will make further 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 Chief Executive Officer as well as the staff for their dedicated 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



In reflecting on 2010, I am reminded of a number of important developments that we will remember for many years to come. One of the most significant being the World Cup. That event had a profound impact on us as a people as it unified us like no other event ever has. It was very heartening to see South African pride being restored, not just in our own eyes, but also in the eyes of the rest of the world.

In the spirit of raising the bar which prevailed during the world cup, the Board of the Institute had also taken some bold steps in raising the bar for the profession through giving birth to an ambitious revised strategy that tackles some of the profession's key challenges head on.

I am very fortunate to have served my maiden year as CEO in the midst of all this excitement. In fact, my task was made much easier as I could ride on the euphoria of national pride and use that to encourage members to embrace the new direction the Institute is taking.

In embracing integrated reporting principles, my report this year will only focus on the highlights while a more detailed report on the operations of the Institute can be found elsewhere in this document.

THE SECRETARIAT

As in the past, the one key challenge the Institute has had to deal with is the lack of resources. During 2010 we had a number of vacancies that proved rather difficult to fill such as the position that

I had vacated when I took over the reigns as CEO. The other vacancies were as a result of a combination of staff moving on to greener pastures as well as dismissals. More information around these will be provided in the human resources report on page 32.

The change in leadership has brought with it a shift in culture with staff having had to adapt to new expectations and processes. As could be expected the change has not always been easy as limited resources can create barriers to ensuring that change is managed effectively and as humanely as possible.

Nevertheless, I am happy to report that all indications are that the staff have welcomed and embraced the changes and are making meaningful contributions to the Institute's strategy. I am in the fortunate position that the vast majority of the staff are fully committed to seeing the Institute succeed in achieving its objectives.

In order to provide an enabling environment for the staff a number of steps have been taken by the Institute, i.e. from an IT audit (as expounded on later in this document in the Technology Report) to setting the tone for a customer orientated culture. In the process the value statement has been revised by the staff themselves and the following values have been adopted against which all actions ought to be measured:

- Integrity
- Respect for the individual
- Service without compromise
- United in collective accountability
- Innovation in continual evolution

THE PROFESSION AT LOCAL LEVEL

King III has had a profound impact on the profession. The inclusion of a whole chapter on internal audit has brought about a renewed focus on internal audit with many members seeing a turnaround in attitude towards the profession in their organisations. It has also created increased expectations with more being required from internal auditors. The Institute recognised the need to augment its efforts to provide opportunities to members to enhance their competencies and take quantum leaps to higher levels of competence. To this end the Institute has embarked on a number of new initiatives to broaden the scope of opportunities for members.

Professionalisation of Internal Audit

The most important element focussed on by the Board has been the professionalisation of internal audit. In this category a number of initiatives have been undertaken:

1. Members are now encouraged to complete the Professional Training Program [Internal Audit Technician (IAT) and General Internal Auditor (GIA)] after having received their academic qualification and before they enter the Certified Internal Auditor (CIA) program.
2. The Institute has started to engage with the IIA Inc in order to make the completion of the Professional Training Program (or being assessed as competent against the program in terms of recognition of prior learning) a compulsory entry requirement into the CIA program.
3. Where only CIAs had to adhere to Continuing Professional Development requirements, this obligation has now been extended to include IATs and GIAs.

Mentorship program

In addition to a number of events which were run for our CAEs, 2010 saw the launch of the mentorship program for CAEs. A number of CAEs have joined the program with more experienced CAEs mentoring emerging leaders.

Exposure in the media

In order to ensure more media coverage, the Institute has engaged a public relations agency to assist with its advocacy plan. The Institute enjoyed quite a bit of exposure in the media during 2010 with articles appearing in newspapers such as the Sunday Times and The New Age which promoted internal audit. The Institute also enjoyed exposure in radio interviews on SAfm, Radio 2000 and YFm, with a real highlight being an interview on CNBC Africa.



The CEO being interviewed on CNBC Africa

Interest groups

During 2010 the technical department has driven the formation of interest groups. The interest expressed by members are a clear indication that many members appreciate this service. The objective was to create an opportunity for members to engage each other on technical matters while providing a platform from which guidance can be formulated.

Memoranda of Understanding

One of the Institute's purpose statements has its focus on the formulation of partnerships. To this end the active pursuit of value-adding partnerships started in 2010 with agreements being signed with GIBS, the Ethics Institute and Unisa.



The CEO with Executives of GIBS at the signing of the agreement with GIBS



The CEO with the CEO of The Ethics Institute during the signing of the agreement

Social media

The Institute acknowledged the need for it to have a presence in the social media and thus provide the platforms for members to engage with each other through the effective use of technology. The Institute therefore now has a presence on LinkedIn and Facebook. In addition, the Institute has also created a presence on Twitter and is using this tool to tweet important articles to members in order to assist members in staying abreast with developments in the market.



Social Media Platforms

THE PROFESSION AT REGIONAL LEVEL

With the establishment of the African Federation of Institutes of Internal Audit (AFIIA) in 2009, the IIA SA has spent time and resources on the development of the profession on the continent. During 2010 South Africa was reaffirmed as the secretariat of AFIIA.

AFIIA's mission statement is *"To provide a unified voice of the*

members of the African Continent on common issues, to collaborate in a manner which will best serve the interest of all African IIA members, and to promote and develop an effective internal audit profession supported by strong, recognized institutes. Thus value will be added to all stakeholders in the private and public sectors, by improving risk management, internal control and governance in all organizations."

The key objectives are

- To advocate the profession to all stakeholders;
- To create relationships with stakeholders and other bodies to improve governance on the continent;
- To assist with the establishment and growth of affiliate institutes hence the growth of membership and professionalism;
- To assist and promote the professional development of internal auditors through:
 - o Continuous professional development through training (short courses)
 - o Certification (CIA and other designations)
 - o Practical training such as the learnership program
 - o Exchange programs
- To establish opportunities for networking by arranging:
 - o Meetings of institute leaders to develop contacts, to share expertise and resolve challenges;
 - o Events where members can meet and share expertise.

The Institute believes that the IIA SA has a vested interest in the development of the profession on the continent. The IIA SA has a crucial role to play in mentoring fledgling institutes on the continent. In addition, it is acknowledged that an increasing number of South African companies are expanding on the continent. With this in mind it is important that South Africa plays a strong role in strengthening governance in Africa. The world tends to judge South Africa in the same light it does the continent. For this reason South Africa should play an active role in changing perceptions in order to ensure that the world perceives it in a more favourable light.

THE PROFESSION AT A GLOBAL LEVEL

The IIA SA is an affiliate of the IIA Inc which is represented in over 160 countries with 170 000 members worldwide. The IIA SA has been able to maintain its position as a strong global player with South African representatives on all of the major international committees. These members have made valuable contributions to the profession and have worked tirelessly to represent South Africa well. A full list of these members is on page 21.



From left to right: Richard Chambers, CEO of the IIA Inc. Dr Claudelle von Eck, CEO of the IIA SA and Linda Yanta, Past President of the IIA SA signing the agreement between IIA Inc and AFIIA.

As one of the largest IIA institutes in the world, the IIA SA has a permanent seat on the Global Board. During 2010 that seat was occupied by Mr Linda Yanta who is a member of the IIA SA Board.

Some of the key areas of focus, discussion and debate at a global level include inter alia:

1. The revision of CIA content to ensure alignment with market expectations
2. The revision of Professional Recognition Credit (PRC) in terms of the CIA program
3. Licensing of internal audit

FUTURE PERFORMANCE OBJECTIVES

Seminars, webinars and distance learning courses

One of the key challenges of the profession has always been the difficulties around providing training opportunities to members in the remote areas. The cost of training courses in the remote areas has been prohibitive as the cost per head is simply unaffordable for members at local level. In order to address this problem the Institute has started to use technology as well as partnerships to provide members with seminars, webinars and distance learning courses which will eliminate the need for presenters to travel to smaller areas at great cost.

Infrastructure

The Secretariat has outgrown the building it is currently housed in. During 2011 all effort will go into finding a suitable building. In addition attention is being given to the upgrading of computer hardware and software systems to ensure that the Institute is in a position to meet its obligations and provide excellent service to its members and stakeholders.



The IIA SA offices

Where much of the focus in 2010 has been on revising strategy, the theme for the Secretariat in 2011 will be the upgrading of infrastructure while embedding the strategy.

CONCLUSION

The profession has taken significant strides in the last year toward morphing into a more significant force in the market. I believe that we could take further quantum leaps by taking collective responsibility for the advancement of the profession. We need to see more members become actively involved in the profession and my hope is that we will see the dawn of a new era in which the world sees internal audit as an indispensable part of a progressive and fruitful society.

Dr Claudelle von Eck
Chief Executive Officer

REPORT OF THE AUDIT, RISK AND FINANCE COMMITTEE



We are pleased to present our report for the financial year ended 30th November 2010.

COMMITTEE MEMBERS AND ATTENDANCE:

The committee consists of the members listed hereunder. Seven meetings were held during 2010, all of which were by teleconference call.

The committee consists of the following members:

Shirley Machaba	Chairman
Fatima Ally	Resigned in February 2010
Phuti Semanya	
Mmathabo Sukati	
Felicia Msiza	Appointed in March 2010

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 reviewed and 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 thereon.

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) provide 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. A risk assessment workshop was conducted during September 2010 with the aim of reviewing the IIA SA risk profile and this formed the basis of developing Internal Audit plans. The summary of the risk assessment is on page 16.

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. Internal audit plans were developed, presented and eventually approved by the committee during the last quarter of 2010. The actual audits were only conducted during January 2011.

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 the audit plan and audit fee for 2010 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 2011 financial year.

ANNUAL FINANCIAL STATEMENTS

The committee has reviewed and recommended the annual financial statements to be included in the integrated 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 20 April 2011.

FINANCIAL PERFORMANCE

Although the global financial crisis had created concern around the financial performance of the institute, I am happy to report that the Institute has come through relatively unscathed. The only area where we have seen a real direct impact was the National Conference which attracted less than the normal amount of members. This seems to be mostly due to the cut in budgets as reported by the CAEs at the leaders forum. At the start of the new year, the outlook for 2011 was much more positive. However, recent events such as the unrest in the Middle East and a number of natural disasters (e.g. in Japan) have raised concerns around economic recovery. The Board remains conscious of these issues and the possible impact a double dip in the economy may have on the Institute. To this end it has become imperative to raise the reserves to ensure that the Institute is able to cover its overheads for a two year period in the event of a disaster.

The following are key areas of note in the financial performance of the Institute during 2010:

There has been a noticeable decline in the net profit when comparing 2010 to 2009. This is mainly as a result of the international conference having boosted the Institute's coffers considerably during 2009.

The Board has noticed over the last few years that the gap between the revenue and expenses has been closing. This is mainly due to the fact that a conscious decision had been taken to keep membership fees and course fees constant despite the increase in expenses. It is clear however that the time has come to start increasing fees to ensure the sustainability of the Institute. This need has been exacerbated by the increase in fees charged by the IIA Inc.

The increase in debtors is directly correlated to the increase in activity. The Board is however concerned about the number of organisations that have desisted from paying the membership fees on behalf of their employees. It is imperative that the Institute takes the necessary steps to educate members on the personal responsibility they should take for their professional status, while educating employers on the importance of their internal auditors being members of the Institute. It is heartening however to see the growth in membership numbers remaining on an upward trajectory.

The Institute's biggest expense item is the salary bill which is much higher than the membership fees collected. During 2010 a number of vacancies have created a decrease in the salary bill against the budget, but have also resulted in an increase in the wage bill as it was necessary to employ temporary labour to assist with the gaps created by the vacancies. With two new positions created in 2010 and salary increases having been effected in January, the salary bill will be 30% higher than the reported expense in 2010.

One of the key focus areas of the CEO has been the upskilling of staff, which is clearly reflected in the increase in the training expenses. It is crucial that the staff are trained in order to meet the new expectations in terms of the revised strategy.

The biggest outflow in terms of the ring fenced special projects is likely to be the acquisition and refurbishment of a new building to house the secretariat. This will reduce the reserves significantly and increase the need to rebuild the reserves.

Further notes have been included with the Financial Statements section of the integrated report. All in all the Audit, Risk and Finance Committee is pleased with the financial performance of the Institute during 2010.

Shirley Machaba
Chairman of the Audit, Risk and Finance Committee

RISK ANALYSIS

Risk management is seen as integral in the management affairs of the Institute. The Institute has an extensive risk register. During 2010 the management team underwent a risk management workshop which was facilitated by PwC.

Top strategic risks

Risk	Action taken by the Institute
Members not being able to meet the increasing demands of the market	The Board has given particular attention to the professionalisation of internal audit. The Institute has therefore created a clear career path for internal auditors with minimum requirements from an academic, experiential and professional designation perspective. In addition the Institute offers technical guidance to members, short courses, seminars, webinars and conference in order to give members enough opportunities to upskill themselves.
Members not adhering to the Standards e.g. Government departments subject to the PFMA being in breach of legislation by not having conducted Quality Assurance Reviews (QARs)	All effort is being made to encourage members to adhere to the standards including ensuring that Quality Assurance Reviews are conducted. A lot of effort is also going into educating Audit Committees on the importance and value of their internal audit functions going through QARs.
Internal auditors not becoming members of the Institute – risk to the profession is that they cannot be held accountable to the code of ethics nor are they compelled to adhere to the Standards	The Institute has included in its advocacy plan the education of organisations on the importance of internal auditors being held accountable by the professional body. A document on “How to employ an internal auditor” has been created.
The CIA not recognised as a credible professional designation or not perceived to be a senior enough designation	The Professional Training Program has been designed as precursor to the CIA program and is intended to ensure that CIAs are able to meet the demands of the market (articles). The Professional Training Program is intended to strengthen the CIA. The IIA Inc is currently revising the CIA content in order to ensure that it meets the demands of the market. The Institute has included the marketing of the CIA in its advocacy plan.
Internal Audit not recognised in the market as a true and necessary profession	The education of key stakeholders on the importance and value of internal audit forms part of the advocacy plan.

Top operational risks

Risk	Action taken by the Institute
Inadequate IT support and capacity	An IT audit has been conducted for 2011 in relation to the strategic plan and the necessary upgrades undertaken. The website and integrated system being key focus areas.
Inadequate infrastructure support for activities	A key area identified is the fact that the institute has outgrown the building at 3 Riley Road. At the time of writing the integrated report the Institute was in the process of sourcing a new building.
Inability to attract and retain suitable skills for the secretariat	The Institute is unable to compete with the corporate world in terms of salaries. Its only means of defence is to create an enabling and empowering environment which staff enjoy and appreciate as well as continually training and upskilling staff.
Failure to provide relevant and timely guidance on technical issues	A technical committee had been established to aid the technical department. In recent times interest groups have been established with the intention to increase the number of guidance papers created for members. During 2010 a new Deputy Technical Manager position was created with a focus on the public sector. This position was filled in January 2011.
Inability to provide relevant services and products with appropriate quality	Committees have been established to ensure that the Institute’s services are relevant and are delivered at the right level of quality.

GOVERNANCE



Board: Back row from left to right: Brian Cleak, Ashley Smith, Riaan Thiar CIA, Mmathabo Sukati CIA, Arno Vorster and Rob Newsome CIA
Front row from left to right: Linda Yanta CIA, Clarence Benjamin, Shirley Machaba CCSA, Dr Claudelle von Eck, Phuti Semanya CIA and Justine K Mazzocco



Fatima Ally



Joyce Kumbirai CIA



Felicia Msiza



Celestine Munda

BOARD OF DIRECTORS

The IIA SA Board consists of sixteen members of which fifteen are duly elected by the members of the Institute at the Annual General Meeting. The sixteenth seat is occupied by the CEO who is a paid member of staff. In order to ensure continuity and continued focus on the Institute’s ability to deliver as well as quality of service, the Chairman of the Board (President) remains on the Board for a further two terms, at the end of his/her term as Chairman, in the capacity of Past President and then Past Past President.

COMMITTEES

The committees are divided into two broad categories, but all the committees play a significant role in ensuring quality in the processes within the Institute that underpin the delivery of service and products. The Board committees that deal directly with governance within the Institute are the Audit, Risk and Finance Committee, the Nominations Committee, the Human Resources Committee and the Disciplinary Committee.

The other committees oversee key areas of delivery. These are the Technical Committee, the Education and Training Committee, the Public Sector Committee, the Continuing Professional Development Committee and the Conferences Committee.

Audit, Risk and Finance Committee

This committee plays a significant role in providing oversight over the Institute’s financial affairs and the assurance processes such as the external and internal audits.

The external auditors for the financial year under review is SAB & T. There has been interaction between the external and internal auditors to ensure that there is no duplication of effort.

Internal audit plays a major role in providing assurance on whether the Institute’s risks are adequately taken care of. As a small organisation, the Institute does not have an in-house internal audit function. Internal audit is therefore outsourced. In the absence of an internal audit function the CEO assumes the role of Chief Audit Executive. The outsourced internal audit function reports administratively to the CEO and functionally to the Audit, Risk and Finance Committee.

The Nominations Committee

The Nominations committee's key function is to ensure that those appointed in a governance role are eligible to serve in the capacity of directors of the Institute. Once nominations have been received for Board appointments, the Nominations Committee looks at the eligibility of the nominees to serve in the Institute's structures.

In addition, the committee oversees the Awards processes instituted to recognise those who have made outstanding contributions to the internal auditing profession.

Disciplinary Committee

The IIASA Board has established the Disciplinary Committee in order to ensure adherence to the Disciplinary Procedure of the Board, and to:

- Educate the members of the IIA SA on issues of ethics and conduct.
- Receive and investigate allegations and reports of unethical behaviour.
- Make recommendations to the Board after investigations and/or disciplinary hearings or interviews.

Human Resources Committee

The Committee assists the Board in discharging its responsibility of ensuring that sound employment practices are adhered to in the Institute. The Committee does not assume the functions of management, but acts as an overseer and makes recommendations to the Board for its consideration and final approval.

The Committee is authorised and tasked by the Board to:

- Consider reports pertaining to the human resource needs of the Institute;
- Advise the Board on all human resource matters;
- Monitor and make recommendations on human resource policies to the Board;
- Ensure that the Institute has a sound performance management system in place;
- Make recommendations to the Board on the determination of senior management remuneration, which encompasses such matters as the philosophy behind remuneration assessment, the criteria for remuneration setting and remuneration components;
- Make recommendations to the Board on the determination of criteria necessary to measure the performance of the CEO in discharging his/her function and responsibilities;
- Make recommendations to the Board on the annual salary increase of the CEO;
- Oversee the setting and administering of remuneration at all

levels in the Institute and ensure that the Institute remunerates its employees fairly;

- Use independent surveys and specialists in the determination of all the essential components of remuneration and establishing remuneration credibility;
- Make recommendations to the Board regarding the annual increase range for staff;
- Ensure that the Institute has a succession plan in place for key positions, where feasible;
- Ensure that the Institute complies with the requirements set out in the Employment Equity and the Skills Development Acts;
- Ensure that development plans are in place for key members of staff.

Technical Committee

The technical committee oversees the technical output in terms of ensuring that the Institute takes a leadership role in technical matters. It reviews the quality of the technical documents produced by the Institute as well as the relevance of products delivered. The committee consists of members of the Institute who represent various constituencies, but have been selected based on their technical expertise.

Education and Training Committee

This committee has been constituted as an oversight body for the education and training strategy, policies and quality assurance. The committee consists of members from all the major constituencies. The committee meets at least three times a year and reviews the following:

1. The education and training strategy
2. Progress against strategy
3. Feedback on the Professional Training Program
4. Feedback on certifications
5. Whether client expectations are met
6. Whether stakeholder expectations are met

The practitioners on the committee also provide the Institute with feedback on the quality of the Professional Training Program.

Public Sector Committee

As the public sector is a major constituency (around 37% of the membership base), the Institute has found it necessary to establish a committee that will specifically focus on meeting the needs of the public sector. The committee meets at least six times a year and looks at issues such as:

1. Stakeholder relationships
2. Whether the needs of the public sector are being addressed
3. Raising the profile of the Institute in the sector

CPD Committee

With the increasing expectations on internal auditors brought about by a combination of factors, such as the global financial crisis and the King III report, it is becoming increasingly important that the Institute focuses on the competence of its members. Therefore, as part of fulfilling the objectives around the professionalisation of internal audit, the IIA SA has increased the expectations on members with regard to meeting Continuing Professional Development requirements. This is the domain of the Committee which puts a concerted effort into research and benchmarking of courses against the best in the world. Given the demands on the members of the Institute, it is very important that the Institute ensures that the level of quality of the courses compares favourably against the best in the world. The Committee reviews the courses on offer on an annual basis and focuses on whether:

1. The courses, seminars and webinars are relevant.
2. The mix of courses on offer are adequate, in other words whether all categories of members are being attended to.
3. The courses, seminars and webinars are of a high enough quality, benchmarked against the best in the world.
4. The presenters are of a high enough quality.

Conference Committee

The committee's sole responsibility is to serve as an oversight body for all IIA SA national conferences. This includes:

1. Ensuring that the quality of the conference content is of a high standard;
2. Ensuring that only high quality presenters are used;
3. Ensuring that the Institute only makes use of credible venues.

DIRECTORS' REPORT

The directors have pleasure in presenting their report for the year ended 30 November 2010.

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 III report on corporate governance, as far as it is appropriate for the IIA SA; and
- The preparation of the integrated 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 III 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.

DIRECTORS' EMOLUMENTS

Remuneration of the Executive Director amounted to R1,469,607 (See page 43 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.

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 21 April 2010.

Name	Position	Board Committees served on	Date appointed (mm/yy)	Status	Board meetings attended
Justine Mazzocco	President	Remuneration	04/05	Active	4/7
Shirley Machaba CCSA	Sen Vice President	Audit Risk and Finance/ Regional Task Team	04/05	Active	6/7
Fatima Ally	Vice President	Disciplinary	04/09	Active	2/7
Philip Barton	Vice President	Disciplinary	04/08	Resigned 02/10	0/1
Clarence Benjamin	Vice President	Nominations	04/09	Active	4/7
Brian Cleak	Vice President	Conferences	04/10	Active	3/5
Jacob Hlatshwayo	Vice President	Public Sector	04/08	Term Expired 04/10	0/2
Joyce Kumbirai CIA, CCSA	Vice President	Conferences/ Regional Task Team	02/10	Active	5/7
Felicia Msiza	Vice President	Audit Risk and Finance	04/09	Active	4/7
Celestine Munda	Vice President	Technical / Remuneration	04/09	Active	2/7
Rob Newsome CIA	Past Past President	CPD / Technical	08/95	Active	6/7
Phuti Semenya CIA, CCSA	Vice President	Audit Risk and Finance / Nominations	04/07	Active	4/7
Ashley Smith	Vice President	Nominations	04/10	Active	4/5
Mmathabo Sukati CIA, CCSA	Vice President	Audit Risk and Finance / Public Sector	04/09	Active	5/7
Riaan Thiart CIA	Vice President	Education and Training	04/09	Active	5/7
Claudelle von Eck Dr	Chief Executive Officer	Audit Risk and Finance/ Disciplinary/ Education and Training/ Public Sector / Regional Task Team	01/10	Active	7/7
Arno Vorster	Vice President	Conferences	04/05	Active	5/7
Linda Yanta CIA	Past President	Remuneration	04/05	Active	4/7

The Board met 7 times during the year

INTERNATIONAL REPRESENTATION

As at November 2010, the IIA SA has representatives on most of the international committees as well as representation on the International Board.

International Committee representation	Name	Status
Board	Linda Yanta CIA	Active
Academic Relations Committee	Philna Coetzee CIA	Active
Advanced Technology Committee	Jacques Lourens	Committee was discontinued at end of 2010
Board of Research and Education Advisers	Linda Yanta CIA	Active
Chief Staff Officers	Claudelle von Eck Dr	Active
Committee on Quality	Judy Grobler CIA	Committee was discontinued at end of 2010
Ethics Committee	Rob Newsome CIA, (Chairman) Thienus Coetzee CIA, CCSA	Active Active
Global Advocacy Committee	Veronica du Preez CIA	Active
Government Relations Committee	Vukani Dlamini Sikhungo Dube	Active Active
International Conference Committee	Claudelle von Eck Dr	Active
International Relations Committee	Justine Mazzocco	Active
Membership Committee	Shirley Machaba CIA	Committee was discontinued at end of 2010
Board of Regents*	Anton van Wyk (Chairman) CIA Glenn Ho CIA	Active Active
Professional Issues Committee	Debbie Loxton Charles Nel CIA	Active Active
Standards Board	Riaan Thiart CIA	Active

* This committee has now split into two committees, namely the Professional Certification Board and the Exam Development Committee.

SECRETARY

The secretary of the company is V Ori, 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.

STRATEGY

DEFINITION OF THE INSTITUTE

The Institute of Internal Auditors, South Africa is a non-profit organisation registered as a section 21 company not for gain, which exists to promote the interests of all its members. All full members elect Board members annually at an AGM. The Board is supported by a full-time secretariat and committees comprised of volunteers from the membership who are appointed by the Board.

MISSION

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.

VISION

To be the centre of excellence representing the internal audit profession.

STRATEGIC PLAN

The mission and vision are underpinned by nine purpose statements, objectives and tactical strategies. The purpose statements are:

- Create, cultivate and maintain a cohesive, vibrant and committed community of competent internal auditors

- Ensure the professionalisation of internal audit
- Protect the interest of the internal audit profession in South Africa
- Gain and maintain market recognition for the profession and the IIA
- Provide technical leadership
- Be a relevant and influential global player in the internal auditing profession
- Ensure that the IIA SA's fingerprint is on the development of the profession on the African continent
- Build and maintain strategic alliances and partnerships
- Be sustainable

The strategy has gone through a vigorous process in its formulation which involved the management team and the Board. In creating the strategy input from the profession leaders, which had been obtained through the Leaders Forum, was taken into consideration. The Leaders Forum has become a platform where the Institute is able to solicit input from the Chief Audit Executives on the direction the profession should take.

In turn, considerable effort is put into communicating the strategy to members. During 2010 the CEO visited each region and shared the strategy with members. In addition, several luncheons for CAEs were hosted by the CEO. These were used to share the strategy with CAEs and to receive their input on the strategy.

STRATEGY PLAN



OPERATING CONTEXT

MEMBERSHIP

Although it is difficult to predict the number of practicing internal auditors who are not yet members of the institute, it is plausible that membership has still not reached a plateau. There still appears to be ample room for growth in numbers.

Membership has grown from 6368 (May 2009) to 6997 (May 2010) fully paid up members. The total number of paid up members at 30 November 2010 was 6870. (The membership year runs from June to May of each year)

A key project, which is subject to the implementation of the integrated system expounded on elsewhere in this document, is the stratification of membership. Part of the Institute's strategy is to ensure that all categories of membership are adequately served. This can only be done effectively once the stratification process is complete.

In supporting the strategy, the Institute has two functions that focus on membership. The one is membership administration and the other is membership growth. In terms of the former, efforts are going into the effective and efficient application of technology to ensure best practice administrative processes. In terms of the latter the focus is on the recruitment of new members by targeting practicing internal auditors who have not yet become members as well as internal audit students.

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 four times during 2010, issued commentary on the following drafts:

- Companies Act Regulations
- IIA Standards and Practice Advisory updates

Articles for the IA Adviser were submitted by various members of the Technical Committee:

- o How does it feel to be quality assured
- o Feedback from the Governance and National Conferences
- o Compliance with King III
- o Various book reviews

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:

- Technical support in the members only section of the web site
- Special interest groups

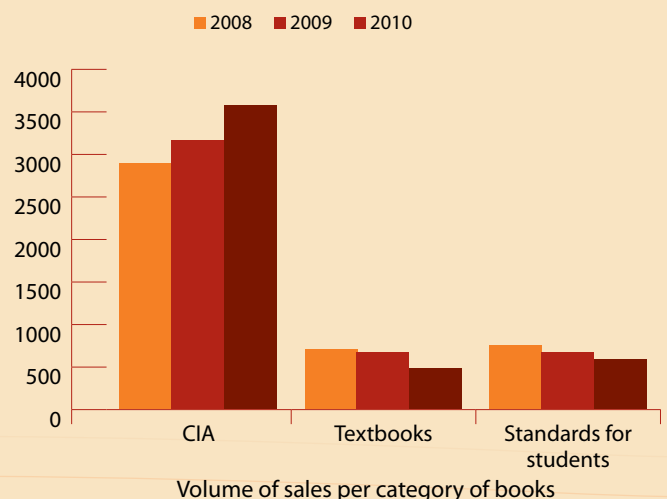
QUALITY ASSURANCE REVIEWS

Six quality assessments were conducted during the 2010 financial year. Of the six assessments, three were full quality assessments and the three were validations of self assessments. Three "Generally Conforms" (GC) and three "Partially Conforms" (PC) ratings were attained. This showed an increase in the percentage of internal audit activities achieving "GC" over all previous years. One follow-up review was also done with the internal audit activity being upgraded from a "PC" to a "GC".

BOOKSTORE

With no international conference to boost non-CIA related book sales and the downturn in the economy these showed a decline in sales volume over the year. CIA related sales rose once again, thus indicating the increase in the internal audit fraternity's desire to achieve the highest possible level of qualification for internal audit.

Bookstore Graph



EDUCATION AND TRAINING

The Education and Training department worked closely with the Education and Training Committee on key strategic issues. The department's single most important focus has been the professionalisation of internal audit. The committee identified the key elements that should be present in the career path of the internal auditor. It has therefore created a clear career path and has given clear guidelines around the minimum requirements in respect of academic and professional qualifications for each level as the internal auditor transcends to the top of the career ladder. See the career path diagram below.

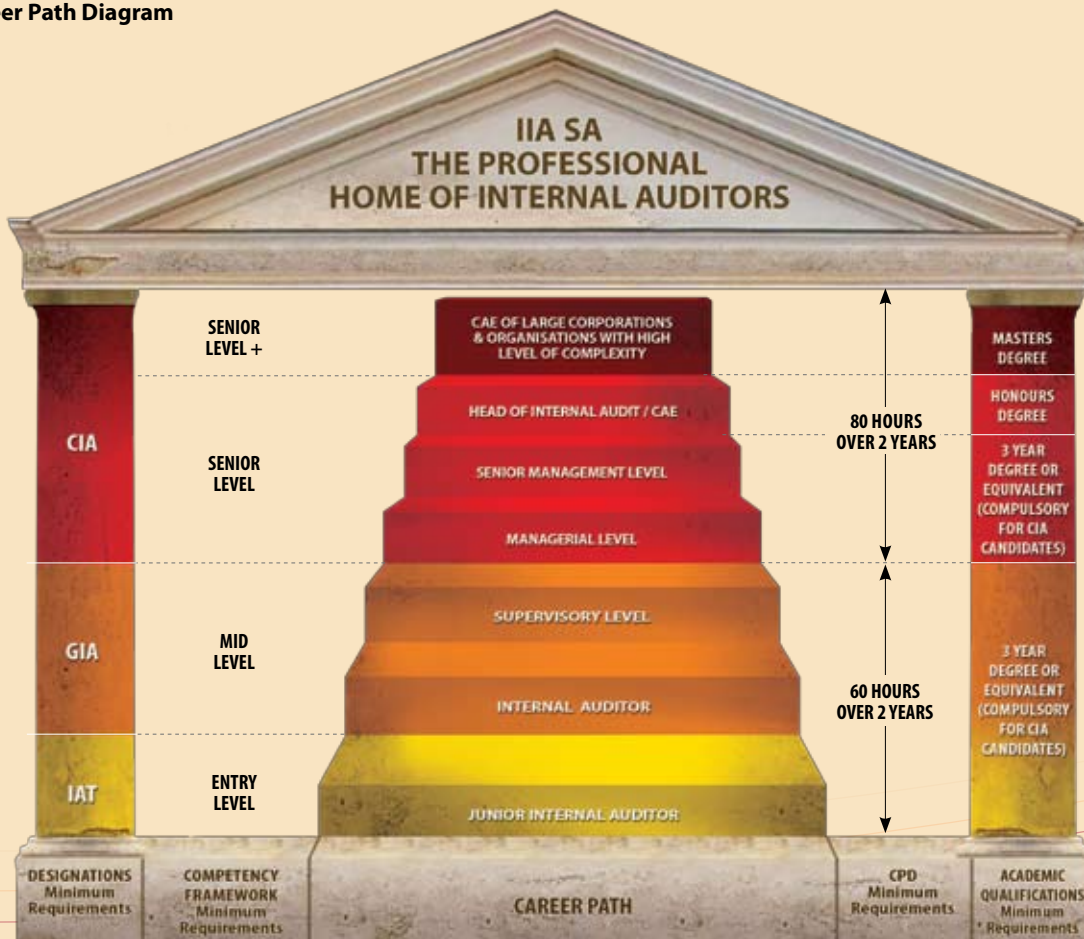
For each level in the continuum a number of focus areas have been identified and included in the strategy. For example, at school level certain interventions are needed which would assist in the education of pupils on internal audit as a career choice.

PROFESSIONAL TRAINING PROGRAM (LEARNERSHIPS)

In terms of the career path outlined by the committee, a crucial element is the Professional Training Program which is equitable to articles. The committee made the decision to move away from using the term learnership in the marketing material as there is a general misperception in the market that learnerships are at a low level and designed for school leavers. The IIA SA's program is indeed designed to be undertaken once the trainee has completed an academic qualification.

In terms of its strategy, the Institute has embarked on a two phased approach. In the first phase members are encouraged to first complete the Professional Training Program before entering the Certified Internal Auditor program. In the second phase the intention is that completing the program or being assessed as competent against the requirements of the GIA qualification, will become a compulsory entrance requirement for the CIA program.

The Career Path Diagram



An increasing number of organisations are starting to understand the value that the Professional Training Program brings in upskilling their staff. We are therefore seeing growing numbers of organisations showing interest in our program and escalating adoption rates. The Institute is pleased to see the phenomenal success rate of the program.

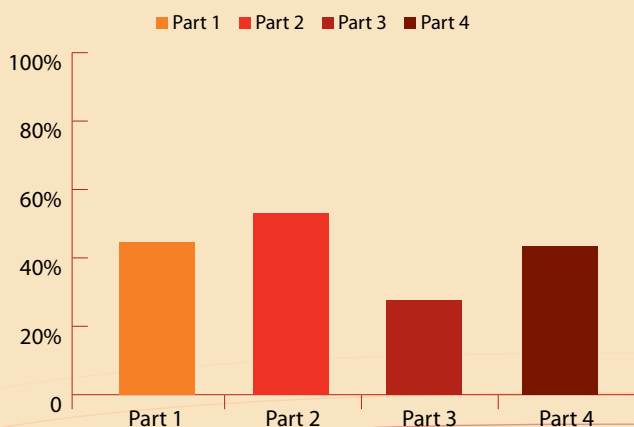
A total of 18 programs were run during the year. Of these 7 IAT programs and 1 GIA were completed. There are still 10 programs in progress. We were proud to see 108 IAT trainees and 20 GIA trainees being declared competent and graduating from the program. These numbers are not nearly enough to address the skills shortage, but they are an encouraging indicator of what the profession can produce.

To date the Institute has produced a total of 347 IAT and 31 GIA graduates.

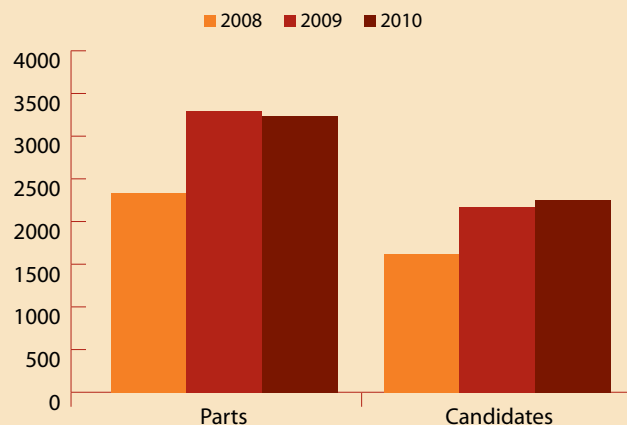
CERTIFICATIONS

In last year's annual report, it was reported that there had been a drop-off in the number of exam candidates after the introduction of computer based testing and the initial registration problems experienced. There has been a significant enough increase in the number of candidates that indicate a return to normal growth rates. 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.

CIA Pass Rate



CIA Registrations



Speciality

	2010	2009	2008
CCSA	175	127	63
CFSA	27	27	14
CGAP	19	28	10

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.

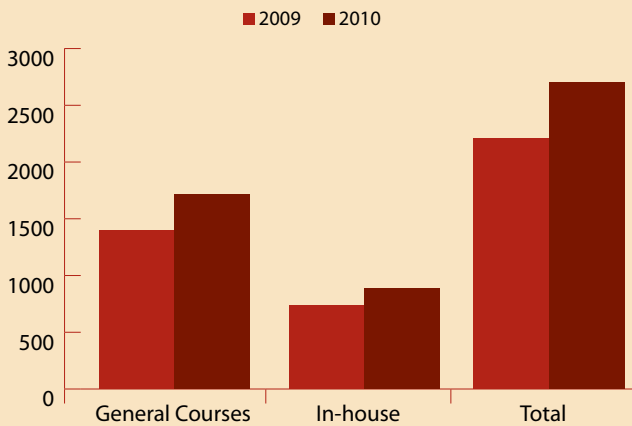
In terms of the professionalisation of internal audit, the tertiary institutions play a key role. One of the important elements of a professional is an academic qualification. The Institute therefore regards the tertiary institutions as a key stakeholder in providing the foundation for the creation of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

COURSES AND CONFERENCES

COURSES

Despite the fears that courses may suffer under the economic crisis, the attendance figures have been very favourable. The first half of 2010 showed a dramatic decrease in course attendance but received a dramatic boost in the second half. Course attendance can be seen in the graph below.

Courses



CONFERENCES

NATIONAL CONFERENCE	2010	2008
Total number of paying delegates	912	1100
Total number on site (incl speakers etc.)	1051	1277

The numbers are compared to that of 2008 as the National Conference was not held in 2009. This was as a result of the International Conference being hosted in Johannesburg in 2009. The reduction in numbers during 2010 was most likely a reflection of the economic outlook prevailing over the last two years.

The IIA SA presented a Governance Conference in partnership with The Institute of Directors (IOD), The Institute of Risk Management (IRMSA) and The South African Institute of Chartered Accountants (SAICA) and attracted 431 paying delegates.



CHIEF AUDIT EXECUTIVES (CAEs)

In 2010 the IIA SA has created opportunities for leadership development and networking among peers. The Institute recognizes that the leadership layer has to be supported and strengthened as the Profession takes the quantum leap to the next level.

The Institute had launched seven leadership courses aimed at CAEs in 2010 but these had been poorly received. Of the seven courses only two had gone ahead.

The CAE events held in 2010 attracted 389 delegates. These events included a Leaders Forum, one breakfast, one cocktail event and eight CAE lunches.

The 2011 CAE program will include a Leaders Forum, three CAE breakfasts and seven CAE lunches.

SERVING MEMBERS IN THE REMOTE AREAS BY WAY OF TECHNOLOGY

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 suits enough people to create critical mass that would make the hosting of a course viable.

In order to accommodate all members who cannot get to courses, the IIA SA will be presenting webinars and half day seminars via streaming.

REGIONS

COMMITTEES

The Regional Structures have been created to assist the secretariat in serving its members at a regional level:

The IIA SA National Office has strategic oversight of regional activities, ensures the coordination of events amongst regions and

sets the governance requirements in terms of the operations, regulation and supervision of regions.

Regional committees have been established in all the main centres in South Africa as well as the neighbouring countries where applicable. These include:

- Johannesburg region
- Pretoria region
- North West region
- Limpopo region
- Kwazulu Natal region
- Borderkei region
- Port Elizabeth region
- Central Region
- Western Cape region
- Northern Cape region
- Namibia
- Lesotho (Institute with MOU with the IIA SA)
- Swaziland (Institute with MOU with the IIA SA)

The regional committees are responsible for their immediate operations and are accountable to the CEO who in turn is accountable to the Board on all regional matters.

The Regional committee serves as a conduit on behalf of the National office in that it provides a two way communication channel between the National Office and the members in the region.

The regional committees are not separate legal entities but an extension of the IIA SA.

Regional committees consist of volunteers and are not employees of the Institute. They are therefore not remunerated for their services and do not form part of the IIA SA staff complement.

EVENTS

Regional events attracted 1717 delegates. Regional conferences such as Western Cape Conference attracted 119 delegates and KZN Workshop attracted 80 delegates.

STATEMENT OF SUSTAINABILITY

The IIA SA has continued to experience growth in most of the key areas in 2010, as reflected in the table and graphs below.

	2006	2007	2008	2009	2010
	R	R	R	R	R
Net surplus	2,168,656	4,051,875	1,508,765	5,215,732	1,307,871
Capital & Reserves	12,501,103	16,552,970	18,206,997	23,415,865	24,377,117
Paid-up Membership	4 622	5 264	5 819	6 272	6 870
CIA Exam (Parts registered)	3 689	3 902	1 956	2 995	*3 321
CIA candidates	1 594	2 040	865	2 054	2 329
Conference delegates	1 550	1 581	1 563	**1 728	1 343
Course delegates (including in-house courses)	1308	1 806	2 326	2 153	2 645
Learnership candidates	349	638	715	484	517
No. of Staff	19	20	24	25	24

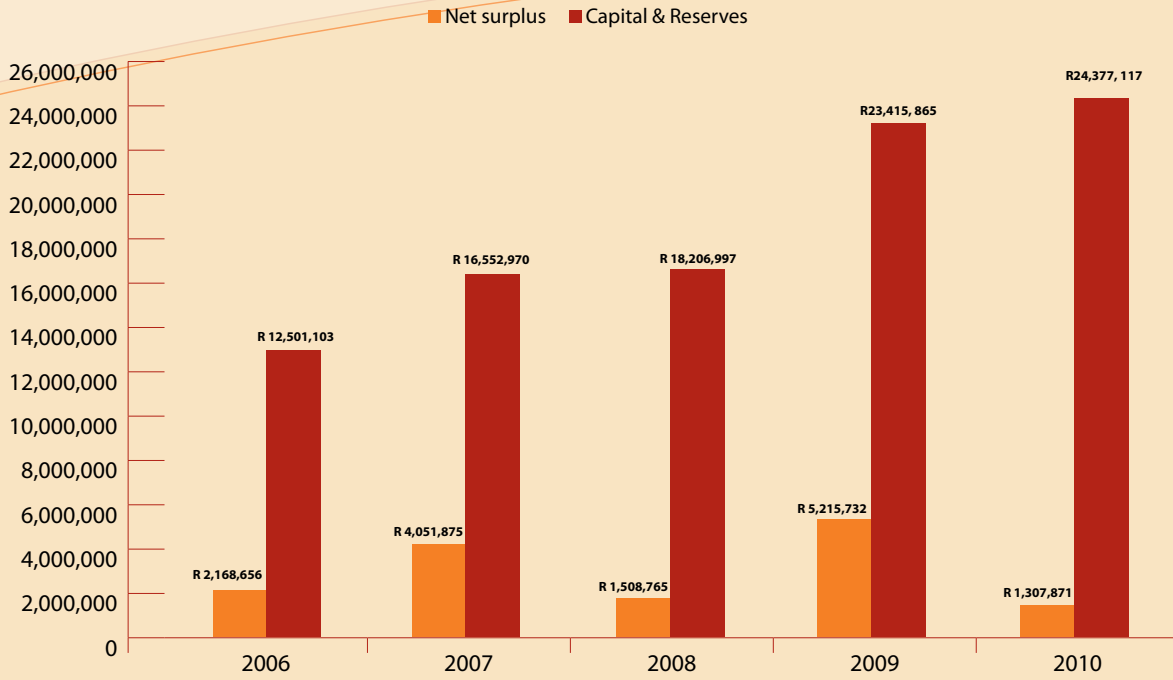
* This figure includes exam registrations deferred to 2011

** The International Conference was hosted by the IIA SA in 2009

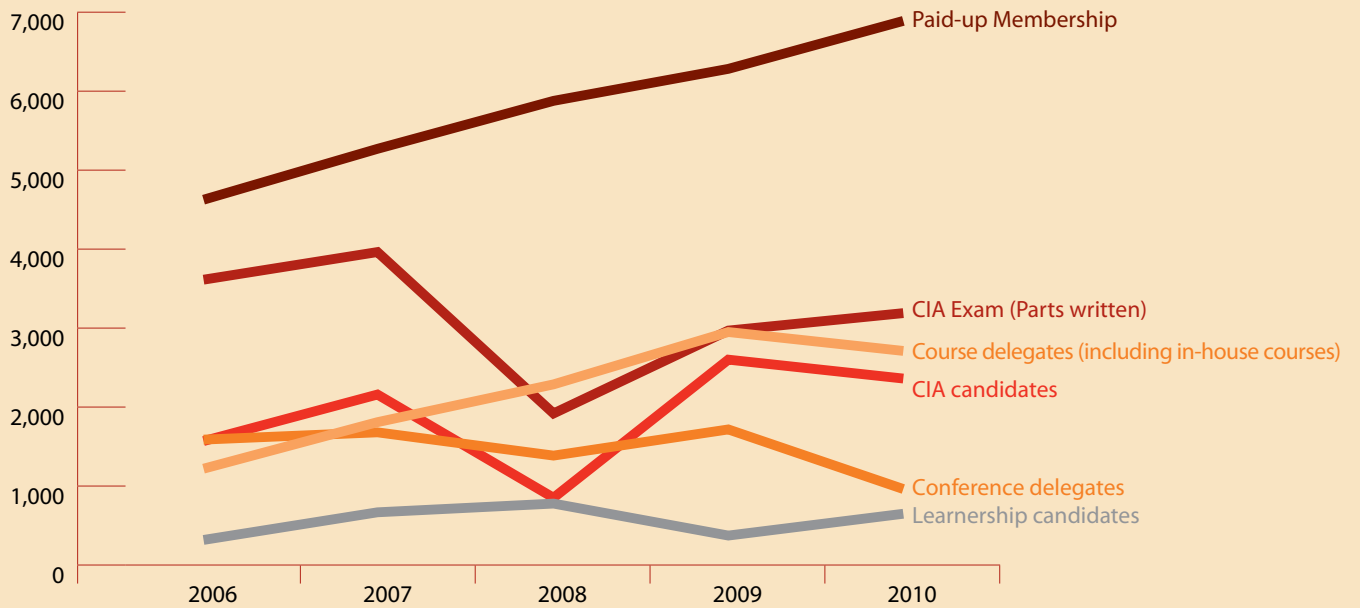


2010 National Conference

NET SURPLUS VS. CAPITAL & RESERVES



SERVICES GROWTH



TECHNOLOGY REPORT

It is the firm belief of the Institute that technology is a key element that enables it to deliver on its strategic objectives. As an enabler, technology forms an integral part of the Institute's infrastructure. To this end the Institute continually evaluates the technology employed to ascertain the adequacy in terms of the Institute's delivery. As part of the evaluation process a number of areas have been highlighted where the Institute has to focus on in order to ensure an adequate application of technology to serve the Institute's needs.

DATABASE

The Institute has identified the need to develop an integrated system as a result of the fact that:

1. The current database is housed in Microsoft Access. This system is not sophisticated enough to meet the needs of an Institute of the IIA's stature. The Institute is not able to derive the necessary intelligence from the current database as a result.
2. The Institute does not have one single database to deal with all aspects of its activities. The membership database is separate from other activities such as Certifications.
3. None of the databases can be integrated with the Institute's accounting system.

The above clearly sets out the need for a more sophisticated and fully integrated system which would combine all the databases into one as well as ensure that the system is seamlessly integrated with the accounting system. This would eliminate duplication, inefficiencies as well as enable the Institute to store the information which is crucial to its ability to gather relevant intelligence and respond to its members' needs effectively.

ACCOUNTING SYSTEM

The Institute has grown exponentially over the last few years. This has necessitated a thorough investigation into the current accounting system to ensure that the system is able to cope with the growing needs of the Institute. The Institute is currently using the accounting system Pastel Partner. The system, which has been designed for small organisations, has been in place since 1994. At the time it was adequate for the Institute's needs, however it has become apparent in recent times that the Institute has outgrown the system.

The future needs of the Institute, which cannot be met by Pastel Partner, require its accounting system to:

1. Have an ability to allow more staff to access the system.

2. Have an ability to cater for the regions' transactions in the system.
3. Have an ability to cater for the increasing number of transactions as the Institute grows.
4. Have all aspects needed to match the integrated system currently being created.
5. Handle all Institute transactions without corrupting the data.

To this end the Board has approved the Institute's migration from Pastel Partner to Pastel Evolution. In addition, Pastel Evolution is built on Microsoft SQL unlike Pastel Partner which runs on Pervasive SQL. As the new integrated system is being built on Microsoft SQL it is clear that Pastel Evolution is much more suited for the new environment being created.

WEBSITE

The revamping of the website had become an absolute necessity in ensuring that the Institute is able to effectively communicate with and serve its members. The old website could only cater for the most basic needs and severely limited the Institute's ability to provide members and other stakeholders with access to important information. The new website now enables the Institute to provide members with a members only section. The intention is to populate that section with guidance, tools and methodologies which members will be able to download.

A second phase will be embarked on later in 2011 as soon as the integrated system is in place. Once the project is completed, members will be in a position to update their details via the website. As a consequence this will increase efficiencies in the Institute as it will reduce the amount of data capturing to be done by administrative staff.

HARDWARE AND SOFTWARE

A thorough IT audit has been conducted to determine whether the technological tools used by the Institute are adequate. The result has been an upgrade of a number of computers as well as the acquisition of a new server. The server, which had been used until April 2011, had been acquired five years prior and was in urgent need of replacement. The new server and upgraded stations are believed to be adequate to meet the Institute's current and immediate future needs. A particular focus has been on the computer stations and the server's ability to accommodate the new integrated system as well as Pastel Evolution.

Annual IT audits will be used to monitor the adequacy of IT equipment to meet the Institute's needs.

HUMAN RESOURCES REPORT

TRANSFORMATION

The Institute is committed to the principles set out in the Employment Equity Act and the Skills Development Act. 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 2010.

The Institute has gone to great lengths to adhere to the Employment Equity policy and has in the last few years only employed EE candidates in the permanent positions that were vacant in the Institute.

Staff statistics as at November 2010 are as follows:

Gender Breakdown		EE Profile	
Male	7	PDI employees	21
Female	17	White male employees	3

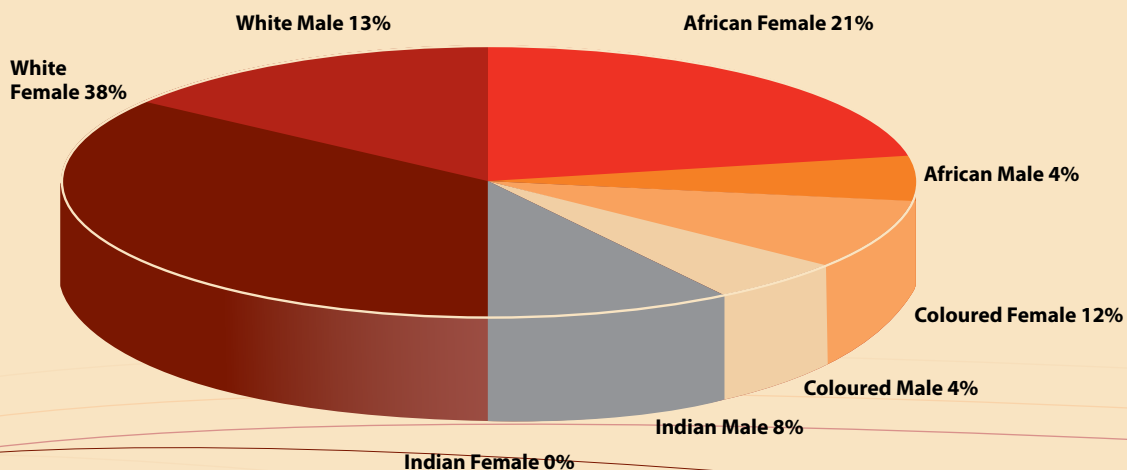
DEVELOPMENT OF TALENT

During 2010 the Institute has given a fair amount of attention to the training of staff across the board. In addition to in-house training, all staff members have gone through general training sessions with external training providers and 6 staff members have gone through individual training.

APPOINTMENTS

One permanent position was filled in 2010 and three positions were filled with fixed term contract workers. Two of those three positions were filled by permanent employees in January 2011.

EMPLOYEE DEMOGRAPHIC PROFILE



The Institute follows a rigorous recruitment and selection process which includes psychometric testing of shortlisted candidates. As is the case with the vast majority of organisations in South Africa, filling positions with competent talent – within the transformation framework, is a challenge. It is even more of a challenge as the Institute is not able to compete with the corporate world in terms of salaries.

NEW POSITIONS

The Board approved two new positions in 2010. The position of Deputy Technical Manager: Public Sector was created as the Board recognised the need to have a resource within the Secretariat that could focus exclusively on the public sector. The position of Business Development Coordinator was created to address the need for a focus on the social media, research and business development.

PROMOTIONS

During 2010 two employees were promoted. The COO was promoted to the position of CEO to fill the position of CEO vacated by Ms VE du Preez who retired at the end of 2009. The receptionist was offered the position of Bookstore Administrator.

RESIGNATIONS

There were no resignations in 2010

DISCIPLINARY CASES

There was one disciplinary case which resulted in a dismissal.

ENVIRONMENTAL REPORT

DIRECT IMPACT

The Institute's operations are mainly of an administrative nature. Thus, its environmental impact would be mostly in the area of its use of paper and its carbon footprint.

The Institute has introduced a recycling of paper system. In addition, wherever possible, electronic means are used instead of paper based communication e.g. in 2010 the decision was made to not print the courses booklet and national conference marketing materials.

The Board is focussing on the IA Adviser as its green project for 2011. The Adviser will therefore in future be delivered electronically to members, thus affording the Institute the opportunity to make a positive contribution to the environment.

Travelling is restricted to what is absolutely necessary. Certain committees have already started to resort to conference calls instead of travelling to meetings.

INDIRECT IMPACT

The Institute has a responsibility to use its influence to create awareness around environmental factors among its members. Internal auditors play a crucial role in ensuring that organisations become responsible citizens of the earth. In this regard, the Institute ensures that it provides its members with opportunities to become aware of their responsibilities in terms of environmental auditing.



STAKEHOLDER ENGAGEMENT

INTERNAL AUDITORS: MEMBERS, POTENTIAL MEMBERS

Internal auditors are the primary target market for the IIA SA and form a large proportion of the customer base for IIA SA product offerings. Members are mostly practising internal auditors, but also include students and business executives involved in risk management, governance, internal control, IT audit, education, security and management. Members are kept informed through the IA Adviser, a magazine delivered to members 5 times per annum, an electronic newsletter, regular e-mail messages as well as through the social media platforms. The IIA SA CEO also engages directly with CAEs through an annual visitation plan as well as hosting luncheons for CAEs at the Institute's offices.

Potential members (internal auditors and internal audit students who are not yet members of the IIA SA) are targeted by providing brochures explaining the benefits of membership as well as through ensuring a presence at exhibitions and events where internal auditors are likely to be.

FUTURE INTERNAL AUDITORS: TRAINEES, STUDENTS

Trainees and students are individuals who are in the process of becoming professional internal auditors. Trainees and students are essential to the survival of the IIA SA as they represent the future of the internal auditing profession and the supply of professional internal auditors to the market. Students are enrolled at tertiary institutions and trainees are members who are enrolled in the Professional Training Program. The IIA SA attracts students to the internal auditing profession by providing brochures about internal auditing and the profession's career path as well as appearing at or supporting university open days and where feasible, exhibiting at career exhibitions.

DIRECTORS, AUDIT COMMITTEES, EXECUTIVE MANAGEMENT

The users of internal audit services are a key target group for the Institute. It is important that this group has a very good understanding of the value that internal audit brings to the table, what their expectations of internal audit should be and what they need to have in place in order to derive the full value from this function.

The IIA SA has presented to numerous bodies on the role of internal audit as requests have been received. The Institute has also engaged with the media as a channel to educate its stakeholders and have created communication tools that can be used in communicating with these stakeholders. In addition, the IIA Inc has created material that can be used by members to educate their clients.

SECRETARIAT EMPLOYEES

Secretariat employees serve IIA SA members by providing efficient and effective services and administration. The secretariat also serve as advocates for the internal auditing profession. It is therefore important that staff are kept abreast of developments in the profession. The IIA SA keeps the secretariat staff informed through regular staff meetings and training sessions.

REGIONAL COMMITTEES

Regional committees are comprised of IIA SA members who volunteer to support the profession in the different regions. The primary role of the regional committees is to provide networking opportunities to members within their respective regions. They also serve as a source of information to members within their region and provide strategic input and support to the IIA SA national office. The IIA SA hosts three meetings per annum with regional governors where they are kept abreast of the latest developments as well as given the opportunity to discuss best practice.

EDUCATIONAL INSTITUTIONS

Educational institutions are divided into school level and tertiary institutions.

As a key source of new entrants into the profession, tertiary institutions are a key stakeholder for the institute. They play a major role in the career path for internal auditors as outlined by the Institute. The Institute therefore engages with tertiary institutions in partnership and provides guidance on the overall direction that the institutions should take in terms of their curricula. The IIA SA uses its influence to encourage all tertiary institutions to raise the bar to a level of quality acceptable to the Institute and to obtain IAEP status. All IAEP schools are entitled to have an IIA SA representative on the school's Advisory Board. The Institute also gets involved in career open days and, where feasible, research initiatives.

The IIA SA also provides support to academics to stay abreast of best practice and the latest developments by hosting an annual Educators Forum to provide the opportunity for lecturers of all relevant tertiary institutions to meet and share ideas and best practice and brainstorm solutions to common challenges.

The IIA SA plans to begin educating the community about the profession at school level which would ensure that scholars are given the opportunity to contemplate internal audit as a career choice (ensuring an adequate supply of professional internal auditors) and will also generate an understanding of internal auditing before potential future leaders enter the workplace.

GOVERNMENT, REGULATORS AND STANDARD SETTERS

The IIA SA engages with relevant Government bodies, Regulators and Standard Setters to ensure that the interests of the internal auditing profession are promoted and protected. The IIA SA is often invited to comment on legislation/regulation, standards and guidance creation and amendments.

IIA INC

The IIA SA has a seat on the Global Board. South Africa has representatives on all the major international committees which provide for a two-way feedback loop between South Africa and the global body. In addition the IIA SA CEO collaborates with other institutes around the globe to discuss and share ideas, best practice and brainstorm solutions to common challenges. The IIA SA CEO attends the global Chief Executive Officers forum twice per annum.

THE AFRICAN FEDERATION OF INSTITUTES OF INTERNAL AUDIT (AFIIA)

AFIIA is led by a governing council while the IIA SA serves as its secretariat. As the largest institute on the continent, the IIA SA plays the role of mentor to fledgling institutes and has hosted a number of delegations that have travelled to South Africa to learn from the Institute. It has also coordinated visits to some South African internal audit departments for leaders from various countries.

The key challenge in terms of the sustainability of this federation is finding donors or other means of funding for the much needed activities listed in the CEO's report.

RELATED INSTITUTES

The IIA SA collaborates with other professional institutes such as the Institute of Directors South Africa, the South African Institute of Chartered Accountants, The Institute of Risk Management and the Ethics Institute to seek opportunities that would benefit its members. The IIA SA is also a member of the Forum of Accounting Bodies.

BUSINESS MEDIA

In order to create an understanding and appreciation of the internal audit profession, society has to be educated about the profession. That understanding will aid in breaking down the resistance some organisations may have against acquiring and maintaining an internal audit function. The business media are in a position to educate the general public about the advantages of effective internal audit in the drive to improve corporate governance, making it easier for internal auditors to perform their function. The IIA SA has engaged with a public relations firm to support efforts in this area.

SPONSORS

The IIA SA receives continued support from industry partners through the sponsoring of events and conferences. Sponsorship partners have contributed significantly towards the success of these events whilst at the same time gaining opportunities to make major inroads within the internal auditing community. The IIA SA strives to build lasting partnerships with organisations that will directly or indirectly benefit our members by providing value for money sponsorship and exhibition opportunities.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 November 2010

	NOTE	2010	2009
		R	R
Revenue	6	28,442,155	25,115,681
Interest received	8	1,195,377	1,128,465
Gross income		29,637,532	26,244,146
Expenditure		28,329,661	21,028,414
Surplus for the year	7	1,307,871	5,215,732

STATEMENT OF FINANCIAL POSITION

At 30 November 2010

	NOTE	2010	2009
		R	R
Assets			
Non current assets			
Property, office furniture & equipment	2	3,852,400	3,892,615
Intangible assets	3	36,299	31,537
		3,888,699	3,924,152
Current assets			
Inventories	4	536,855	537,565
Trade and other receivables	12	5,367,295	4,233,310
Cash and cash equivalents	13.2	22,444,113	22,230,127
		28,348,263	27,001,002
Total assets		32,236,962	30,925,154
Equity and liabilities			
Capital and reserves			
Distributable reserve	16	13,526,839	22,415,865
<i>General reserve</i>		-	1,000,000
<i>Special reserve</i>		10,850,278	-
		24,377,117	23,415,865
Current liabilities			
Trade and other payables		2,135,665	2,523,768
Deferred revenue	14	5,054,628	4,310,686
Unidentified direct deposits		212,104	214,338
Provisions	5	457,448	460,497
		7,859,845	7,509,289
Total equity and liabilities		32,236,962	30,925,154

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 NOVEMBER 2010

	General Reserve	Special Reserve	Distributable Reserve	Total
	R	R	R	R
Balance at 01 December 2009	1,000,000	-	22,415,865	23,415,865
Transfer to special reserve*	(1,000,000)	11,500,000	(10,500,000)	-
Less: Special reserve expenditure		(649,722)		(649,722)
Net surplus for the year			1,307,871	1,307,871
Net surplus - regions			303,103	303,103
Balance at 30 November 2010	-	10,850,278	13,526,839	24,377,117

* Reserves ringfenced for special projects indentified by the Board. See note 16 on page 46.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 NOVEMBER 2010

	NOTE	2010	2009
		R	R
Cash flows from operating activities			
Cash receipts from customers		27,899,342	27,069,294
Cash paid to suppliers and employees		(28,789,427)	(21,419,226)
Cash generated by operating activities	13.1	(890,085)	5,650,068
Interest received		1,195,377	1,128,465
Foreign exchange gain		(1,408)	(19,787)
Net cash from operating activities		303,884	6,758,746
Cash flows from investing activities			
<i>Expenditure to maintain operating capacity</i>			
Net property and equipment acquired		(80,399)	(277,688)
Purchase of other intangible assets		(9,499)	-
Net cash from investing activities		(89,898)	(277,688)
Total cash movement of the year			
Increase in cash and cash equivalents		213,986	6,481,058
Cash and cash equivalents at beginning of the year		22,230,127	15,749,069
Cash and cash equivalents at end of the year		22,444,113	22,230,127

NOTES TO THE FINANCIAL STATEMENTS

AT 30 NOVEMBER 2010

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. Membership subscription income is accounted for on the accrual basis.

1.2 Property, equipment & furniture

All are initially recorded at cost and any impairment in value.

Depreciation is calculated on the straight-line method to write off the cost of each asset, 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, equipment and furniture 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 straight-line 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 statement of financial position 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 statement of financial position 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 the IIA SA'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 financials 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 statement of financial position 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 statement of cash flow, 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

	2010 Cost / valuation	2010 Accumulated depreciation	2010 Carrying Value	2009 Cost / valuation	2009 Accumulated depreciation	2009 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	813,439	(615,873)	197,566	800,674	(553,632)	247,042
Computer Equipment	417,053	(352,904)	64,149	370,323	(312,739)	57,584
Computer Software	155,819	(118,269)	37,550	134,916	(100,062)	34,854
	4,939,446	(1,087,046)	3,852,400	4,859,048	(966,433)	3,892,615

The carrying amounts can be reconciled as follows:

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

2010	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	247,042	12,766	-	(62,242)	197,566
Computer Equipment	57,584	46,730	-	(40,165)	64,149
Computer Software	34,854	20,903	-	(18,207)	37,550
	3,892,615	80,399	-	(120,614)	3,852,400

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 unencumbered.

3. INTANGIBLE ASSETS

	2010 Cost / valuation	2010 Accumulated depreciation	2010 Carrying Value	2009 Cost / valuation	2009 Accumulated depreciation	2009 Carrying value
	R	R	R	R	R	R
Software	75,378	(39,079)	36,299	65,879	(34,342)	31,537

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

2010

	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	31,537	9,499	-	(4,737)	36,299

4. INVENTORIES

The amounts attributable to the different categories are as follows:

	2010	2009
	R	R
Regalia	13,313	13,313
Books	523,542	524,252
	536,855	537,565

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
Leave pay	440,497	(3,049)	437,448
Bursary fund	20,000	-	20,000
	460,497	(3,049)	457,448

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 sundry revenue.

7. OPERATING SURPLUS

Operating surplus is stated after:

	2010	2009
	R	R
Expenditure		
Audit fee	66,930	58,639
Depreciation	120,614	121,427
Amortisation of Intangible Assets	4,737	5,166
Contribution to post retirement benefit plan	68,166	58,159

8. INTEREST RECEIVED

	2010	2009
	R	R
Interest received	1,195,377	1,128,465

9. DIRECTORS' EMOLUMENTS

	2010	2009
	R	R
V E du Preez		
Services as Director		
Salaries	180,817	1,165,350
Bonus	60,000	40,000
Medical Aid	1,820	19,110
Retention bonus: International Conference	-	75,000
	242,637	1,299,460

C F von Eck

Services as Director		
Salaries	1,156,950	-
Bonus	50,000	-
Medical Aid	20,020	-
	1,226,970	-
Total Directors' Emoluments	1,469,607	1,299,460

10. RELATED PARTIES

	2010	2009
	R	R
The IIA South Africa is affiliated to the IIA Inc.		
Payments to IIA Inc.	2,644,818	2,465,162

11. TAXATION

No provision has been made for 2010 taxation as the IIA SA is exempted 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 IIA SA not to take cover on foreign transactions. Gains and losses arising on transactions are credited to or charged against income.

Credit risk

The company deposits cash surpluses only 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.

	2010	2009
	R	R
The ageing of debtors and other receivables at the reporting dates was:		
<i>Current</i>	1,681,575	1,443,602
<i>30 days</i>	530,294	431,354
<i>60 days</i>	398,240	293,290
<i>90 days</i>	419,191	275,744
<i>120 days</i>	861,716	650,790
Debtors balances	3,891,016	3,094,780
Debtors regions	57,371	135,067
Prepayments	273,164	454,524
Salary clearing accounts	3,557	-
Debtors with credit balances	665,387	598,939
VAT control account	526,800	-
Provision for bad debts	(50,000)	(50,000)
	5,367,295	4,233,310

13. NOTES TO THE STATEMENT OF CASH FLOW

13.1 Cash generated by operating activities

	2010	2009
	R	R
Net surplus	1,307,871	5,215,732
Adjustments for:		
Depreciation	125,050	125,180
Interest received	(1,195,377)	(1,128,465)
Office furniture & equipment written off	-	284
Redundant stock written off	5,236	26,857
Foreign exchange gain	(1,408)	(19,787)
Other non-cash items	(348,738)	6,717
Movements in working capital		
Decrease / (Increase) in inventories	710	(195,942)
Decrease / (Increase) in accounts receivable	(1,133,985)	1,975,012
Movement in provisions	(3,049)	(712,240)
Increase / (Decrease) in accounts payable	353,605	356,455
<i>Unidentified deposits</i>	(2,234)	37,053
<i>Deferred revenue</i>	743,942	(371,911)
<i>Accounts payable</i>	(388,103)	691,313
Adjustment		265
	(890,085)	5,650,068

Substantial decrease is due to the International Conference in 2009 and outflows against the reserves for special projects identified by the Board

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 statement of cash flow comprise the following statement of financial position amounts:

	2010	2009
	R	R
Increase in cash and cash equivalents	213,986	6,481,058
Cash and cash equivalents at beginning of the year	22,230,127	15,749,069
Cash and cash equivalents at end of the year	22,444,113	22,230,127

14. DEFERRED REVENUE

	2010	2009
	R	R
Fees in advance - Membership*	3,149,563	2,921,563
- Learnerships	325,325	20,613
- Exam fees**	1,579,740	1,368,510
	5,054,628	4,310,686

* The membership year is from June to May. Therefore 50% of the fees are deferred to the following year.

** Fees of parts registered in 2010, but not written in the same year. Candidates have 6 months within which to write the exam from date of registration with the IIA Inc.

15. AUDITORS REMUNERATION

	2010	2009
	R	R
Audit fees	66,930	58,639
Tax and secretarial services	-	-
Other fees	-	-
	66,930	58,639

16. DISTRIBUTABLE RESERVES

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 STATEMENT OF COMPREHENSIVE INCOME

for the Year ended 30 November 2010

	2010	2009
	R	R
Gross revenue	28,420,435	19,443,828
Add: International conference surplus	-	5,650,456
Less: Costs	17,898,876	11,401,761
Less: Regional Capital Applied	-	6,717
Gross surplus	10,521,559	13,685,806
Other income		
Interest received	1,195,377	1,128,465
Sundry Revenue	21,720	21,397
	1,217,097	1,149,862
Total income before administration & general expenditure	11,738,656	14,835,668
Administration & General Expenditure (Refer to page 48)	10,430,785	9,619,936
Net surplus / (loss)	1,307,871	(434,274)
Net surplus - International conference	-	5,650,456
Contribution from Regions	303,103	(6,717)
Retained surplus at beginning of year	22,415,865	17,206,997
Less: Transfer to special reserve	(10,500,000)	-
International Conference consolidation adjustment	-	(147)
Distributable reserve	13,526,839	22,415,865
Made up as follows:		
Central	12,866,227	22,058,356
Regions	660,612	357,509

ADMINISTRATION & GENERAL EXPENDITURE

	2010	2009
	R	R
Auditors' remuneration	66,930	58,639
Bad debts	65,528	39,893
Bank charges	120,895	116,282
Consulting fees	44,032	8,886
Depreciation	125,050	125,180
Electricity and water	212,662	156,607
Entertainment	18,184	5,381
Office expenses	43,123	36,271
Insurance	78,066	68,728
Library costs	4,893	19,995
AGM Costs	17,846	10,942
Sundry expenses	17,666	80,819
Recruitment	185,333	164,752
Postage	38,809	31,952
Printing and stationery	77,984	88,248
Marketing expenses	62,483	30,581
Repairs and maintenance	149,039	151,994
Salaries	7,281,060	7,254,554
Leave pay	106,801	268,582
Office refreshments	51,277	64,990
Telephone, fax and internet	195,741	291,694
Training	216,889	29,106
Travel - local	98,010	194,465
Travel - overseas	348,323	196,745
Travel - overseas: committee members	182,920	43,302
Wages: temporary staff	619,741	79,564
Profit/Loss on disposal of fixed assets	-	284
Prizes	1,500	1,500
Total expenditure	10,430,785	9,619,936



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