Guidelines on the contribution internal audit experience may make towards a successful application for membership of CIMA

Introduction
These guidelines will help CIMA passed finalists who have worked in internal audit and wish to include that experience in their application for membership. These notes should be read in conjunction with the Practical Experience Requirements (PERs) and the associated Indicative Outcomes. They help to clarify whether, and to what extent, internal audit experience can count towards fulfilling CIMA’s PER.

These guidelines are related to internal audit tasks and not to the job title ‘Internal Auditor’.

It may be possible to gain additional experience in areas outside the internal audit remit (for example, from secondments). If this has been obtained, it should be submitted as part of the application.

It is important to bear in mind that CIMA’s new Career Profile format for membership applications is associated with revised Practical Experience Requirements. In submitting a minimum of three years’ relevant practical experience for assessment, the only absolute requirement is that at least 18 months of those three years is demonstrated in the Core area (Area 2) of the PER.

Definition
In this context, internal audit is defined as:

‘an independent appraisal activity established within an organisation as a service to it. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls; a management tool which analyses the effectiveness of all parts of an entity’s operations and management.’
(CIMA’s Management Accounting Official Terminology)

Guidelines
To assist in the evaluation of this experience, four aspects of internal audit work have been identified:

1 Audit of sub-systems
2 Operational audit and management audit
3 Internal audit participation in projects
4 Management of audit activities

1 Audit of sub-systems
All organisations utilise a wide range of sub-systems within their cost and financial accounting operations. These include: general ledger, accounts receivable and payable, audit of cash and bank reconciliations (such as expenses and personal ledger), and work done to support external audit activities. Audit may cover one or many of these sub-systems.

Applicants who wish their work in these areas to be considered in relation to their total practical experience must demonstrate that they are equipped to fully identify the purpose, scope and required function of the system under review. They also need to show that they have acquired sufficient knowledge to practically test the system and its accuracy. They must demonstrate that they have the capability to recommend modifications (or alternative technical approaches) to ensure the efficiency and accuracy of the system.

Provided that the experience is broad enough to meet the elements identified in the PERs
(Area 1: Basic), and that the applicant can comply with the above, this work can count as fulfilling all or part of CIMA’s (Area 1) Basic requirements.

2  **Operational audit and management audit**

Operational audit is a service provided to operational management which gives assurance that operational objectives are valid, that control information is reliable, and that activities are effective, efficient and economic.

Management audit is the objective and independent appraisal of the effectiveness of managers and corporate structures in the achievement of company objectives and policies.

People who have worked in either, or both, of these areas of internal audit will probably have acquired experience in a number of different departments within the organisation (e.g. sales and marketing, materials management and production, warehousing and distribution, information technology, and/or management accounting).

Applicants who wish their work in these areas to be considered in relation to their total practical experience must identify clearly if/when such work has led to the application of cost and management accounting techniques. They must also illustrate how this work has involved them in the communication structure of the organisation (at all levels and functions), and explain their role in advising and recommending alternative courses of action, based on analyses they have undertaken.

Experience gained in these areas is likely to be relevant to CIMA’s PER. To what degree it is relevant will depend on how far the use of accounting systems, costing, and other management accounting techniques can be demonstrated. If it does comply with the requirements, this experience may be counted against Area 1 (Basic), and may also contribute towards Area 2 (Core), and Area 3 (Supplementary).

Area 2 (Core) contains the range of management accounting elements in the workplace; these represent the specialism of CIMA members. For this reason, Operational Audit and Management Audit, though contributing, cannot completely satisfy the PER for membership of CIMA, which looks for evidence of active participation in the direct use of management accounting skills and disciplines as part of a person’s employment.

3  **Internal audit participation in projects**

Organisations often like internal audit staff to participate in particular activities (e.g. the development of a new information system) or to take on specific projects; this is usually because of their relatively independent status.

This type of work can be relevant to practical experience for membership of CIMA but, as its terms of reference are often very specific, applicants need to clearly identify its objectives and content, and how they believe the work contributes to the PER elements and areas. In doing this, applicants must identify the analytical approaches undertaken, their involvement in the communication and reporting of a project’s progress, and to what extent they were involved in developing recommendations and/or alternative courses of action.

Experience gained through participation in specific projects may count towards one or more of the PER areas, if the criteria above can be fulfilled. However (as with Operational Audit and Management Audit), participation in projects, though contributing, cannot completely satisfy the PER for membership of CIMA, which looks for evidence of active participation in the direct use of management accounting skills and disciplines in the workplace.
4 Management of audit activities

Management of Audit Activities involves responsibility for planning and implementing individual audits, and for the overall internal audit plan. This includes defining the scope and resources required for an audit, establishing the methodology and approach, and delegating specific responsibilities for the overall adequacy, quality, and reporting of such audit activity.

This type of experience can reinforce the quality and level of any experience which is being claimed in the internal audit function but, again, it cannot substitute for direct management accounting experience which is the core specialism of CIMA members.

Applicants who wish their work in this area to be considered in relation to their total practical experience must make clear the level of their own personal responsibilities in relation to audit management, and the nature and scope of the activities undertaken.

Conclusion

Internal audit can provide a useful contribution towards the fulfilment of CIMA’s PER but is unlikely, on its own, to satisfy the PER completely.

As a general guide, experience in internal audit might contribute up to 18 months (maximum) of the total experience needed. However, the remaining 18 months+ of practical experience will need to be demonstrated in the Core area (Area 2) of work.