

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

### Introduction

These guidelines will help CIMA passed finalists who have worked in external 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, external audit experience can count towards fulfilling CIMA's PER.

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, external audit is defined as:

'a periodic examination of the books of account and records of an entity carried out by an independent third party (the auditor), to ensure that they have been properly maintained, are accurate and comply with established concepts, principles, accounting standards, legal requirements and give a true and fair view of the financial state of the entity.'

(CIMA's Management Accounting Official Terminology)

### Guidelines

To assist in the evaluation of this experience, three aspects of external audit work have been identified:

- 1 Statutory audit
- 2 Management of audit activities
- 3 Consultancy

#### 1 **Statutory audit**

Statutory audit has always been the traditional role of an external auditor. It covers all external audit activities, to ensure that the entity complies with the appropriate fiscal requirements, accounting standards, and other legislation governing the financial records of the entity.

Applicants who wish their work in these areas to be considered in relation to their total practical experience must demonstrate that they have analysed a range of sub-systems relating to profit and loss accounts, balance sheets, sales ledgers, trial balances, and payroll etc. They should have constructed, organised and carried out sample tests of relevant transactions in order to determine the accuracy and functioning of the system and the adequacy of internal controls within it. They must also demonstrate their ability to prepare and examine the accounts of an entity in line with legal requirements and accounting standards.

Provided that the experience meets 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 Management of audit activities

Management of an audit team or audit department at senior, supervisory or management level is likely to reinforce the quality and level of experience in other areas of external audit, for example statutory audit.

In order for experience to count towards the PER, applicants must show that they have been required to define, with clients, the scope of interim and annual audits, to establish the methodology and approach to be taken and the resources to be used, to ensure that verification procedures are carried out adequately, to examine the preparation of account, and to prepare the audit report.

Although participation in statutory audit, and/or the management of audit activities, makes a contribution to work experience as a whole, it 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.

## 3 Consultancy

The recent growth of consultancy work in audit firms has been an important development, and there is usually an accounting connotation to this work. Although auditors sometimes undertake such work, there are many firms in which specialist consultancy departments (or even separate consultancy firms) have been set up.

Work of this nature will have very specific terms of reference. Applicants who wish their work in this area to be considered in relation to their total practical experience must clearly identify its objectives and content, and how it contributes to the areas and elements of experience set out in the PER.

Consultancy work should be for clients, and conducted in the form of projects in, for example, management accountancy, marketing, distribution, production control, data processing, personnel and/or treasury work. Applicants must demonstrate the extent to which they have personally planned course of action, made or implemented recommendations, and been responsible for outcomes.

Applicants working in a consultancy environment have an excellent opportunity to acquire relevant experience, which may be in one or more areas of the PER. Whether such work belongs in Basic (Area 1), Core (Area 2), or Supplementary (Area 3) will depend on the scope of the work as determined by its original terms of reference.

## Conclusion

Experience in statutory audit and in management of audit activities will reinforce the quality and level of experience in other areas of accounting, but an application for membership based wholly on these activities will not, on its own, meet CIMA's requirements.

While most aspects of external audit may expose applicants to a wide variety of accounting systems and management accounting techniques, such experience is unlikely to provide the same depth of experience as, for example, working in an internal audit environment. For this reason, a maximum of 12 months' experience in external audit may be counted towards the PER, and this is likely to fall within Area 1 (Basic).

Consultancy work, however, may contribute to one or more areas of the PER, and will be particularly useful if it fulfils elements of Area 2 (Core).