



Chartered Institute of
Internal Auditors

IIA Advanced Diploma

Syllabus 2012/2015

Introduction

Becoming a Chartered Internal Auditor is the best possible way of being recognised as a fully qualified, highly competent professional internal auditor, capable of making a significant contribution to the success of an organisation at the highest possible level through being a trusted adviser to the senior team. The title is reserved for those who have completed our professional qualifications and who have demonstrated influence and leadership in their role as an internal auditor, delivering effective assurance and consulting services that lead to improvement. A Chartered Internal Auditor is committed to serving the public interest and all those who rely upon the assurance they provide. It is the hallmark of excellence.

The IIA Diploma is the primary professional qualification for practising internal auditors in all sectors who need a comprehensive grasp of all aspects of the role of internal audit, risk management, control and governance, firmly rooted in the practical context in which internal audit operates. Unlike any other available qualification, it is designed specifically to match the needs of internal audit and is the acknowledged benchmark for the profession, based on internationally recognised standards. The designation PIIA is awarded on successful completion of formal examinations and confirmation of applied competence through a professional experience journal.

The IIA Advanced Diploma is an advanced qualification leading to individual chartered status for senior and experienced professionals in internal audit who need to engage with executives and managers on strategic issues. The qualification builds upon the competencies developed through the IIA Diploma and is designed for holders of that qualification to develop further their knowledge, skills and understanding of internal audit, risk management, control and governance. It aims to move competent practitioners to a level of proficiency capable of acting autonomously, providing challenging and sometimes provocative insights into risks and internal controls across all areas of activity. The title Chartered Internal Auditor and designation CMIIA are awarded on successful completion of formal examinations and confirmation of practical competence through a professional experience journal.

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Title of final award IIA Advanced Diploma**Designation** CMIIA**Qualification overview**

The IIA Advanced Diploma is the advanced qualification for senior and experienced professionals in internal auditing who need to engage with executives and managers on strategic issues. The qualification builds upon the competencies developed through the IIA Diploma and is designed for holders of that qualification to further develop their knowledge, skills and understanding of internal audit, risk management, control and governance. It aims to move competent practitioners to a level of proficiency capable of acting autonomously, providing challenging and sometimes provocative insights into risks and internal controls across all areas of activity.

The content and assessment strategy have been developed to ensure that the qualification provides a comprehensive set of knowledge, skills and understanding for the senior professional internal auditor. The syllabus has been derived with reference to the demands of the profession, the IIA *Code of Ethics*, the *International Standards for the Professional Practice of Internal Auditing*, the Institute of Internal Auditors Research Foundation *Common Body of Knowledge* and the *IIA Global Competency Framework for Internal Auditing*.

On completion of the qualification candidates will be able to:

- demonstrate management level internal audit competencies
- engage confidently and effectively with audit committees and make board level presentations
- exhibit the highest performance of professionalism and integrity
- apply strategic understanding of the role of internal audit
- provide high level assurance to senior management
- maintain the professional independence of their internal audit function
- lead complex audit projects
- interpret and apply recognised standards

Students of the IIA Advanced Diploma must demonstrate knowledge and understanding of four theory modules:

M1	Strategic Management
M2	Financial Management
M3	Risk Assurance and Audit Management
M4	Advanced Internal Auditing Case Study

Students must be working as an internal auditor and providing independent assurance to an organisation or organisations on risks and controls for at least three years in order to meet the requirements for professional experience.

The designation 'CMIIA' is awarded on successful completion of the theory modules and the professional experience journal.

Entry/membership requirements

Entry to the IIA Advanced Diploma is open only to members of the Institute. Registrants must have completed the theory module requirements of the IIA Diploma.

Completion requirements

All aspects of the IIA Advanced Diploma should be completed within three years of registration onto the qualification.

Assessment

Assessment of students of the IIA Advanced Diploma is made in two main ways:

- knowledge and understanding are assessed through formal examinations or accreditation of prior learning
- professional competence is assessed through evidence recorded in the professional experience journal

Examinations

Examinations are held twice a year, in early June and late November. The four theory modules are each assessed by a three-hour and ten-minute examination in which students are required to demonstrate their knowledge and understanding of the theories, concepts, methods and practices as outlined in the syllabus. They will be expected to relate their knowledge and understanding to contextualised scenarios and illustrate their answers with suitable examples. It will be necessary to:

- define key terms and multiple theoretical models and apply them correctly to complex scenarios
- critically analyse a range of detailed information and data
- make in-depth comparisons and draw insightful conclusions
- produce evaluative and authoritative judgments
- generate appropriate original and strategic recommendations

Students will need to be able to express their answers fully by applying an effective command of the English language, using technical terminology and standard formats as required. Due attention must be paid to standard conventions of grammar, spelling and style. Guidance is given in each of the theory modules of any particular communication requirements.

The syllabus details the knowledge and understanding students are required to have in order to complete the examination successfully. Knowledge of new guidance, changes to standards, recent legislation, relevant current affairs and events related to internal auditing is also required.

Regardless of the sector in which the student works, it will be necessary to understand the role of internal audit in public, private and voluntary sectors, as detailed in the syllabus. Where there are variations in regulations and legislation, as exists, for example, between the UK and Ireland, students will only be expected to refer to what is relevant to their situation.

Students may complete the examinations in any order. However, the Institute strongly recommends that M4 is not attempted until M1 to M3 have been completed, or unless any incomplete modules are taken alongside M4.

Study and tuition

Tuition is optional, but is very strongly recommended given the advanced academic nature of the syllabus content and assessment.

Examinations structure

<i>Module</i>	<i>Exam duration*</i>	<i>Total marks</i>	<i>Format and number of questions</i>	
M1	3 hours and 10 minutes	100	<u>Section A</u> Scenario with one compulsory 40-mark question	<u>Section B</u> Three optional 20-mark questions from four
M2	3 hours and 10 minutes	100	<u>Section A</u> Scenario with one compulsory 40-mark question	<u>Section B</u> Three optional 20-mark questions from four
M3	3 hours and 10 minutes	100	<u>Section A</u> Scenario with one compulsory 40-mark question	<u>Section B</u> Three optional 20-mark questions from four
M4	3 hours and 10 minutes	100	<u>Case study</u> Pre-released case study provided four weeks in advance of the examination. Copies of the case study and other written materials may not be taken into the examination. <u>Examination</u> Case study and any additional information as required with four compulsory 25-mark questions	

*the duration of the examination includes ten minutes at the start for reading and planning.

Accreditation of prior learning (APL)

Students with five years' internal audit experience may elect to complete any of the M1 to M3 theory modules through accreditation of prior learning. The APL process requires students to complete a prescribed proforma in which they explain, with countersigned evidence, that they have met each syllabus area's knowledge and understanding requirements.

Submissions are made in two stages, an initial submission on just two knowledge areas and a full submission covering all sixteen knowledge areas of the chosen theory module. Students receive feedback from an APL assessor on their initial submission in order to assist them with completing their full submission documentation.

Professional experience journal

Professional competence is assessed through the completion of the professional experience journal in which students are required to demonstrate that they have at least three years' relevant experience in an internal auditing role. This may include the one year's experience recorded for the completion of the IIA Diploma, but the submission must be made using the IIA Advanced Diploma professional experience journal template provided. Internal audit is formally defined by the IIA as:

an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Completion of the journal requires students to match their professional experience with the aims expressed within the syllabus for each module. Supporting evidence and authentication is needed for each substantive claim. The journals are assessed to check that all requirements have been fully demonstrated and appropriately evidenced.

Grading

Each examination for the four theory modules is marked and graded. A minimum of 50% is required for a 'Pass'. 'Merit' and 'Distinction' grades are awarded for marks of 60% and above and 70% and above respectively. Accreditation of prior learning is also marked and graded. A minimum of 60% is required for a 'Pass'. No other grades are awarded above a 'Pass'.

The professional experience journal is not graded. Once it has been assessed and is deemed to have met the required criteria it is marked as 'Satisfactory'.

Exemptions

The theory module content of the IIA Advanced Diploma has been compared with a number of other academic and professional qualifications to identify where there are similarities in subject matter, level and means of assessment. Where appropriate, the Institute will grant exemptions for relevant theory modules of the IIA Advanced Diploma in recognition of these qualifications. Full details of these standard exemptions are available on the Institute's website.

As well as applying for standard exemptions based on recognised qualifications, students can also seek non-standard exemptions for those not listed.

Open University credit rating and level

The IIA Advanced Diploma has been accredited by The Open University (OU) to a value of 60 credits at PG1 (level 7). This is equivalent to one-third of a Masters' award and may be used by successful students as credit towards further study in higher education, at the discretion of individual institutions. Each of the four theory modules has been awarded 15 credits, which only apply where the student has completed the examination. The professional experience journal is not rated.

Dual awards

Those studying on an IIA dual award scheme programme with a participating university may gain full recognition of completion of the theory modules of the IIA Advanced Diploma without the need to sit additional examinations through the Institute.

Under this scheme completion of the approved postgraduate programme satisfies the examination requirements of the IIA Advanced Diploma. Students are still required to complete the professional experience journal in order to attain the CMIIA designation.

This arrangement only applies to students who complete their programme as part of an approved IIA dual award. Students need to remain registered as IIA members throughout their period of study to be eligible.

Post qualification requirements

Continued voting membership of the Institute brings with it the responsibility of meeting the requirements of the Institute's Continuing Professional Development (CPD) policy. In brief, voting members are required to continue to plan and undertake professional

development activity, reflect upon their development and to retain appropriate evidence. Full details of the requirements can be found in the Institute's CPD policy at www.iaa.org.uk. In order to support all members, the Institute provides an online CPD tool that can help members to assess their development needs. The Institute also provides a range of professional training and development opportunities. Further information can be found at www.iaa.org.uk or through our member services team at 020 7819 1907.

Post qualification opportunities

Upon completion of the IIA Advanced Diploma, members may wish to enrol onto the IIA IT Auditing Certificate.

Relevant policies

Relevant policies and other student materials may be accessed through the Institute's Student Information Centre at www.iaa.org.uk. Topics covered include examination regulations, special requirements, examination registration, extenuating circumstances, feedback reviews and appeals, exemptions, accreditation of prior learning (APL) and quality assurance.

Date from which syllabus is active

October 2011 with first examinations June 2012 and last examinations June 2015.

Date for next review

2014/15

Learning modules:**M1 Strategic Management****Credit rating and level:** 15 credits at PG1 (level 7)**Aims and objectives**

The aim of this module is to enable students to appreciate the dynamics of the organisational environment and how governance and corporate and business strategies can be used to promote competitive advantage, value and sustainability. The module is suitable for the development of senior internal auditors, management staff who work in audit functions and managers who wish to enhance their understanding of strategic management .

Those who have successfully completed the module will be able to:

- evaluate the legal, ethical and economic responsibilities of corporate leaders in managing effectively
- assess, implement and monitor corporate and business strategy, including performance management
- ensure that strategy successfully exploits opportunities to create current and future value for all stakeholders
- apply and develop the resources and capabilities of the organisation effectively to enable the achievement of the strategy

Knowledge and understanding

On completion of this module, students will have knowledge and understanding of:

- 1 *Governance as a strategy for achieving organisational objectives and meeting stakeholder expectations*
 - 1.1 the effectiveness of the structure and functions of the board and its sub-committees, including:
 - the roles and responsibilities of the board and its sub-committees
 - the resources of the board in relation to the achievement of its roles and responsibilities
 - 1.2 the performance and effectiveness of the board and its sub-committees including:
 - leadership in setting the organisation's values and standards and understanding obligations to stakeholders
 - methods for determining the direction of the organisation and assisting in the achievement of its objectives
 - methods for monitoring and evaluation of managerial structure and performance
 - the contribution of appropriate levels of skills and experience to the decision making process
 - strategies for managing and resolving conflict
 - strategies for managing internal and external relationships through effective communication

- processes for responding to issues such as corporate social responsibility, legal and regulatory requirements, environmental, ethical, risk management and assurance

2 *Ethics and Values*

- 2.1 the role of business ethics and values of the organisation, including:
- how business ethics and values can differ between organisations and cultures
 - the role and contribution of ethical leaders and employees to the organisation
- 2.2 how ethics and values can be embedded within the organisation, including an assessment of:
- codes of business conduct and policies and the way in which these are endorsed by the board and senior management
 - organisational culture and the means by which a positive attitude to ethics and values is encouraged among all employees
 - monitoring, improvement and disciplinary actions including escalation procedures and whistle-blowing
 - relationships with third parties such as suppliers and other contractors

3 *Introducing the concepts of corporate and business strategy and value creation*

- 3.1 the role of strategy within an organisation, including:
- definitions of strategy
 - formal strategic processes with emergent strategies
 - the impact and consequences of improperly formulated or imposed strategies
- 3.2 the concepts of corporate and business strategies and the differences between them, including the ways in which the following can determine corporate strategy:
- decisions relating to the product/service offered
 - the geographical area of operations
 - in-house vs outsource options
- 3.3 the determinants of business strategies, including:
- how the organisation competes within a particular sector or market
 - how the organisation delivers its products/services effectively and efficiently
- 3.4 value creation and strategic analysis, including:
- the concept of value creation
 - how performance management impacts on value creation
 - how to appraise current performance
 - the evaluation of alternative strategies
 - methods for setting performance targets
 - performance improvement
 - how strategy of the organisation may be linked with the creation of stakeholder value

- methodologies for value assessment
- the relationship between values, mission and vision and the strategy

4 *Analysing the external and internal environment*

4.1 the external environment, including:

- the components of the environment
- analysis of the environment in which organisations operate in terms of the impact of political, economic, technological, government, environmental, social structure and demographic issues
- industry sectors and the relationship of organisations within different industry sectors to their customers, suppliers and competitors
- how industry sector can influence the level of profit/value for the organisation, eg the demand for product/service and competition
- the rationale of Porter's five forces and how organisations use this in analysing the competitive environment
- the rationale of game theory and the impact of competitive interactions and co-operation among organisations
- optimal strategic choices (ie competing or co-operating or a mix of both)

4.2 competitor analysis, including:

- assessment of the type of information/intelligence that enables an organisation to better understand its competitors such as competitors' current strategy, objectives, assumptions about industry, resources and capabilities
- how to predict competitor behaviour through assessment and evaluation of competitor intelligence
- ethical dimensions of sourcing and use of competitor intelligence
- application of the results of competitor evaluation through assessment of the optimum segmentation of markets and customers in terms of attractiveness, scope and profit
- how to place an organisation fits within its strategic group and identify the organisation's strategic position

4.3 internal analysis, including:

- the role of the organisation's resources and capabilities, including its management information systems, in formulating strategy
- appraisal of the resources and capabilities of the organisation to enable the success of the strategy
- application of the results of resource and capability analysis to formulate strategies
- opportunities and methods for resource and capabilities development through, for example, human resource planning
- how knowledge management, both tacit and explicit, can be used as a strategic resource
- how knowledge can be developed and exploited within the organisation
- barriers to effective knowledge management, eg extracting tacit knowledge and assessing how this can be managed

4.4. evaluating strategic option, including:

- options for future strategy

- opportunities and methods to improve existing portfolio of activities
 - how to exploit opportunities and move into new areas/speed to market
 - exiting from existing activities
- 4.5 developing strategic objectives, including the process by which organisations ensure that strategic objectives are:
- challenging
 - linked to risk assessment
 - allocated to specified owners
 - meet the criteria of being specific, measurable, achievable, relevant, timely (SMART)
- 4.6 agreeing, and gaining ownership of, the strategy, including:
- the processes by which the strategy is agreed and communicated
 - the role of the board in discussing, challenging and approving the strategy
 - the role of internal audit
 - the importance and means of communicating the strategy to the organisation
- 5 *Strategy and its relationship to the mitigation of risk*
- 5.1 the risk profile of the organisation and the effectiveness of the processes for aggregating and monitoring risk in relation to the achievement of strategic objectives, including:
- how the organisation determines its risk appetite in relation to its regulatory/competitive environment and its industry sector
 - how corporate and business strategies are influenced by the risk appetite of the organisation and personal risk appetite of employees
 - how risks are aggregated across the strategy of the organisation and how the risk profile is monitored in relation to the corporate and business strategies
 - how the use of risk assessment in the strategic process may help organisations to improve stakeholder value
- 6 *Managing change and enhancing competitive advantage*
- 6.1 the dynamics of change, including:
- reviewing and assessing the reasons for change
 - new technology
 - economics
 - competition
 - social environment and attitudes
 - regulation
 - pressure/activist groups
- 6.2 anticipating and responding to change, including:
- how organisations anticipate, manage and implement change
 - the use of techniques such as scenario analysis and corporate radar screen to anticipate and evaluate options for change

- how a change management programme may be established and factors that could present problems to the successful implementation of change
- the role of management, change agents and employees in the change process
- how the adequacy of the resources necessary to support change and future strategies (eg coaching and mentoring) may be assessed
- the methods of communicating and implementing change programmes
- methods for evaluating the success of the change management programme

6.3 cost, differentiation and supply as strategies for gaining and/or sustaining competitive advantage and stakeholder value, including:

- cost strategies:
 - cost/price as a medium of competition and value
 - the different ways in which organisations can reduce costs (eg restructuring, downsizing, outsourcing, lean production, business process re-engineering)
 - how product/service design and capacity utilisation can impact on cost
 - how attracting and utilising investment from different sources (venture capital, public private partnerships, management buy-outs, capital raising in the financial markets) can impact on cost
 - using the value chain to analyse costs
- differentiation strategies:
 - customer/stakeholder demand and expectations
 - identifying the organisation's customers/stakeholders are and how it is possible to create value for them
 - customer/stakeholder motivation, lifestyle, status and basic needs
 - evaluating the differentiation options for the organisation of broad market appeal or specific market segmentation
- supply strategies:
 - evaluating the resources and capabilities through which customer/stakeholder demands can be met
 - ensuring delivery processes meet the customer need in terms of time, quality and cost
 - investing in the effective use of technology such as e-commerce
 - controlling the quality of the internal processes and external partners (eg the sellers of the goods/service)

7 *Organisations in emerging and mature markets, in all sectors, and the management of innovation*

- 7.1 the implications of innovation for industry structure and competition, including:
- the innovation process and how likely returns may be assessed
 - the concept of intellectual property and how to evaluate the options open to organisations to exploit their intellectual property
 - the impact of the complexity of technology on returns
 - the time limitations on exploitation of innovation and the product/service lifespan

- the resources needed to develop, manufacture, market, distribute and service the product/service such as financing (eg venture capitalist funding, raising finance in the capital markets, grants, Europe, domestic government etc) and human resources
- 7.2 strategies to exploit innovation, including:
- the options available to organisations to exploit innovation and the risk implications of these
 - outsourcing business functions
 - strategic alliances with partners
 - joint ventures including public private partnerships
 - creation of a new enterprise or business unit
 - adoption of good practice, recognised standards, models, accreditation and benchmarking
 - private property such as technologies and designs owned by organisations and /or individuals (eg intellectual property rights in software code)
 - the concept of the learning organisation and whether an organisation has created conditions that are conducive to innovation
- 7.3 cross-functional integration, including:
- how cross-functional integration within the organisation can improve the innovation process
 - the development of cross-functional teams and the application of matrix management
 - reviewing the role of the product sponsor (both internal and external) in achieving the objectives of the team
 - reviewing the criteria by which new business units are established as a response to the strategic impetus for exploiting innovation
- 7.4 analyse how mature industries can achieve and maintain competitive advantage, including:
- the characteristics of a mature industry
 - the key success factors within mature industries
 - strategies that can be formulated to maintain and exploit key success factors
 - leadership in specific markets and niche markets
 - methods to maximise cash flow from existing assets
 - consideration of product lifespan and obsolescence
 - the need to divest unprofitable businesses, products and services
- 7.5 review opportunities for strategic innovation, including:
- organisational structures
 - new technology
 - employee commitment
 - key performance targets
 - outsourcing; co-sourcing, off-shoring
- 7.6 options for optimising structures and management systems to implement strategies

- 8 *Aligning product/service based, resource based and other strategies with the corporate and business strategies*
- 8.1 key product/service and corporate based business functions that implement and deliver the organisational strategy, including:
- product/service based functions
 - supply chain management
 - program and project management
- 8.2 supply chain management, including:
- the development and communication of organisational policies and codes of business practice
 - planning through the balancing of demand and supply and agreeing a course of action that best meets sourcing, production and delivery requirements
 - procurement of goods and services (suppliers and sub-contractors) to meet planned or actual demand
 - product or service transformation to a finished state to meet planned or actual demand (make/develop)
 - delivery of finished goods and services to meet planned or actual demand, typically including order management, transportation management, and distribution management (deliver)
 - returned products and post-delivery customer support (return)
 - establishment, agreement and monitoring of service level agreements (contract)
- 8.3 programme and project management, including
- relationship between cost, time, quality and scope including an assessment of business benefits and project success factors
 - project risks, including delivery, monitoring, people and expectation management
 - compliance with the agreed project methodology
 - escalation in the event of problems and contingency planning
- 8.4 resource or corporate based strategies, including:
- financial management
 - facilities management
 - human resource management
 - information technology management
 - marketing management
- 8.5 financial management (both capital and revenue streams) in the context of strategic objectives
- 8.6 facilities management, including
- space utilisation
 - energy efficiency and waste management
 - environmental systems/ergonomics
 - disaster planning and health and safety
 - maintenance
 - service delivery

- 8.7 human resources management, including:
- legislation and directives
 - recruitment, retention, dismissal of staff
 - compensation and rewards
 - capability assessment and development
 - performance and development management
 - industrial relations
- 8.8 information systems management, including:
- IT as an enabler of the business strategy
 - IT and its relationship with business units within the organisation
 - IT strategy on the efficiency and effectiveness of systems and processes
 - contingency planning, security and control measures
 - IT in enabling the monitoring of performance management and capacity planning
 - investment in IT systems
- 8.9 marketing management, including:
- the marketing mix and its application to products and services
 - customer relationship management programmes
 - e-marketing tools and their use in enhancing the brand/reputation of the organisation

M2 Financial Management

Credit rating and level: 15 credits at PG 1 (level 7)

Aims and objectives

The aim of this module is to enable the internal auditor to provide effective assurance and advice to all levels of management, including board level, on strategic and operational financial issues. Successful candidates should be able to operate effectively in a rapidly changing technological and global environment.

The module both uses and builds upon the knowledge and competencies expected at IIA Diploma level, emphasising in particular the application and evaluation of skills developed through both the IIA Diploma level and this module, and the role of senior internal auditors as financially literate integral members of their organisations' management teams.

Those who have successfully completed the module will be able to:

- demonstrate financial literacy in order to contribute and operate effectively at strategic level
- analyse and synthesise internal and external accounting, financial and economic and other information
- evaluate the significance of the outcome of analyses against the strategic objectives of the organisation
- evaluate risks in financial systems and financial information and recommend mitigating strategies
- apply accounting, financial and economic knowledge and skills to decision-making and performance monitoring
- analyse the context in which an organisation operates, show how this may affect its financial and business position, and apply the results
- understand and evaluate the strategic risks associated with different sources of finance, and make recommendations on the formulation of financing strategies
- explain the distinction between the concept and measurement of value, and conventional transactions-based and accruals-based accounting measures, and how these are used in measuring the performance of an organisation
- appreciate the legal and ethical dimensions of accounting processes and information
- interpret, integrate and evaluate accounting, financial and economic information through the application of ratio analysis, sensitivity analysis and other relevant analytic techniques in order to assess the financial and business position and performance of an organisation
- select and apply appropriate comparative techniques to assess an organisation's performance and relative competitive position
- evaluate the quality of relevant financial and non-financial performance indicators, and assess their impact on performance and behaviour
- use financial and non-financial indicators to evaluate the performance of both profit-seeking and not-for-profit organisations and, on the basis of these, recommend appropriate courses of action for management
- analyse and assess the impact of financial risks on an organisation's strategic objectives and operating environment

- analyse the cost structure of an organisation in order to support the assessment of its financial position and performance, and apply this in strategic and operational decision-making
- interpret and evaluate the results generated by the main methods conventionally used by organisations to appraise proposed capital investments, and evaluate the organisational processes both before and after the investment decision
- evaluate budgetary control strategies and systems, and other financial monitoring methods, as a means of achieving strategic objectives
- explain the role of accounting in achieving management control in a devolved organisation

Knowledge and understanding

On completion of this module, students will have knowledge and understanding of:

1 The context of financial management

- 1.1 the main macro-economic variables that can affect organisations, and their likely effects on an organisation, including:
 - inflation
 - trends in national income; growth / recession
 - labour supply
 - balance of trade and foreign currencies
 - government policy, and how this can impact on organisations
- 1.2 the balance between public and private provision of services and current models of public sector financing, and associated risks
- 1.3 the main national and international legislative and regulatory frameworks and their implications for financial control and management
- 1.4 the main types of taxation that can potentially impact on an organisation and the associated risks either of non-compliance or to the organisation's financial performance, including the distinction between tax avoidance and tax evasion
- 1.5 the process of setting standards for financial reporting, and the implications of implementing new standards for the organisation and the internal audit function

2 Long-term finance

- 2.1 the main sources of national and international long-term finance available to an organisation, and the risks associated with different methods of raising finance by organisations
- 2.2 the relationship of risk and return in the context of investments in companies and the implications of the capital asset pricing model, and the concept and significance of beta

- 2.3 the characteristics of equity and debt capital and the concept of capital gearing in terms of the potential effects on returns to stakeholders such as shareholders and on overall organisational risk
- 2.4 analysis of overall corporate risk as a compound function of:
- the volatility of revenues
 - operational gearing
 - capital gearing
- 2.5 the use of ratios to measure aspects of organisational performance of particular relevance to investors, including:
- capital gearing
 - dividend yield
 - dividend cover
 - dividend payout
 - earnings per share
 - price/earnings ratio
 - market-to-book
 - interest cover
- 2.6 the calculation of an organisation's weighted average cost of capital in a relatively straightforward financing situation, and its significance in particular for capital investment appraisals

3 *Value*

- 3.1 the concept of business value as the sum of discounted future income streams at an organisational level, in particular as defined by free cash flow
- 3.2 the relevance to internal auditors of the concept of value as a way of identifying potentially significant intangible assets which may not be recognised by conventional accounting statements but may involve risks and may require controls and should therefore be reflected in audit plans
- 3.3 potential inconsistencies between conventional accounting principles (such as those relating to revenue recognition, expense matching and asset recognition) and value measurement
- 3.4 value measurement compared with traditional accounting, including the nature and significance of:
- goodwill
 - deprival value
 - alternative concepts of capital maintenance
 - 'soft' assets not recognised by traditional accounting such as intellectual capital and human capital
- 3.5 the concept of value drivers and the alternative ways in which organisations can seek to add value, and how this may be used to assess the effect on value of specific proposals

3.6 "Fair value" as defined by the International Accounting Standards Board and how this can affect published financial reports

3.7 the concept of economic value added and how this may be used to measure the value added within a period by an organisation or part of an organisation

4 *Ethics and creative accounting*

4.1 the ethical implications for financial management and reporting that are involved in protecting the legitimate interests of the full range of stakeholders of an organisation

4.2 the impacts of these stakeholder pressures for the organisation's strategic objectives in setting objectives and implementing strategy in order to achieve objectives

4.3 the main features of topical cases of fraud or other unethical behaviour, with particular emphasis on:

- how the incident ultimately impacted stakeholders
- the underlying internal features in the organisation that led to the problems, especially insofar as these relate to failures of controls
- how the incident eventually came to light, particularly the role or potential role in this of internal audit

4.4 how financial accounts can be manipulated through either accounting or substantive methods in order to present a misleading picture to stakeholders through creative accounting and/or window-dressing and gaming behaviours

4.5 the implications of corporate social responsibility (including social, environmental and sustainability performance) for the roles of the accounting function and the internal audit function, in:

- helping to ensure compliance to legislation and regulation
- helping to ensure accurate capture, processing and reporting of relevant data and information

4.6 the significance of social/environmental/sustainability reports periodically published externally by organisations, including the role of verification, and the implications of generally recognised reporting standards, such as the global reporting initiative

5 *Financial analysis*

5.1 how the main standard conventional accounting ratios reflect the performance and risk of an organisation

5.2 how to analyse and report on an organisation's performance and position for management and/or other stakeholders from a provided set of internal financial data, together with relevant external data such as economic statistics, including:

- the identification of alternative possible explanations for the reported quantities

- making appropriate recommendations to management on areas for further attention and research and for management action
 - assessing any risk that calculated ratios may not accurately reflect performance due to creative accounting and/or window-dressing techniques
- 5.3 how the du Pont hierarchy of ratios can be used to integrate ratios relating to profitability and efficiency, and how to distinguish primary 'results' ratios that reflect the extent to which objectives have been achieved, from secondary 'contributor' ratios that reflect aspects of operational control
- 5.4 calculation and interpretation of ratios to measure:
- return on equity
 - non current asset turnover
 - labour productivity
 - cash exhaustion ratio
 - operating cash flow to maturing obligations
- 5.5 the main broad types of comparators against which an organisation's accounting ratios and other performance measurement data can be compared and their respective merits and limitations in terms of:
- their information content and the significance of the results reported
 - practical issues of feasibility, such as accessibility of relevant data
 - reliability, including recognition of potential problems due to differences in accounting policies, organisational structures and the nature of the specific organisation's operations
- 5.6 the process of benchmarking exercises based on financial data
- 5.7 comparison of an organisation against a number of comparators using the results from a benchmarking exercises involving an organisation, in order to evaluate its performance and position and make appropriate recommendations to management
- 6 *Performance measurement*
- 6.1 the arguments for and against systems of quantitative performance measurement as an approach to management control, and the factors which have led to current trends
- 6.2 the respective purposes of performance indicators in profit-seeking as opposed to not-for-profit organisation
- 6.3 recent main trends in performance measurement
- 6.4 the likely quality of an organisation's performance measurement system and set of performance indicators
- 6.5 the process of making recommendations on an appropriate performance measurement based on relevant information provided on an organisation's objectives, strategy and operations, including appropriate indicators that can

be applied by management and stakeholders of an organisation to assess performance

- 6.6 the potential vulnerability of performance indicators to distortion by manipulation of the measurement of indicators and gaming behaviour whose motive is to improve reported measurements of results rather than to achieve substantive improvements in performance
- 6.7 the use and assessment of league tables of performance indicators
- 6.8 assessment of the performance of an organisation based on financial and non-financial performance indicators
- 6.9 the distinction between indicators of results/objectives and indicators of inputs/contributors
- 6.10 techniques for combining the signals from different indicators into an integrated framework such as a balanced scorecard model

7 *Financial risk*

- 7.1 treasury management and evaluate the organisational processes for, and the risks associated with:
 - cash management and the investment of temporary surplus cash
 - trade and other receivables, inventory and trade and other payables management
 - the working capital cycle
- 7.2 pensions, including:
 - the main alternative methods of pensions provision and the risks associated with each
 - the factors that can affect pensions liabilities and the associated risks
 - the accounting treatment and the main legal and regulatory requirements for pensions liabilities and their effect on reported results and organisational behaviour
- 7.3 money-laundering, including:
 - placement, layering, and integration
 - the main methods practised by money-launderers
 - current money-laundering legislation and regulation and the risks of non-compliance, particularly for those sectors likely to be primarily affected
 - appropriate controls to help ensure legislation is complied with
- 7.4 derivatives, including:
 - the nature and purpose of derivatives, and their implications in terms of the gearing effects and therefore potential volatility and risks
 - the main types of derivatives
 - the main underlying assets upon which derivatives are usually based
 - the main risks that organisations mitigate through the use of derivatives and the meaning of 'hedging', and appropriate controls

8 *Cost analysis*

- 8.1 the implications of cost analysis for strategy formulation
- 8.2 the principles and methods of the traditional cost analysis methods and the relevance in different situations for management of the information generated by each method
- 8.3 operational gearing and its implications for overall organisational financial risk
- 8.4 the concept of cost drivers and the various levels of activity at which costs can be driven in order to determine the factors underlying the consumption of resources as part of a system of activity-based costing
- 8.5 the merits and demerits of activity-based costing and the problems likely to be encountered in implementing this
- 8.6 comparison of the results of cost analyses generated by marginal costing, full absorption costing, and activity-based costing
- 8.7 how organisations can estimate their cost-to-output relationships on the basis of historical data and the respective advantages and disadvantages of the alternative methods

9 *Decision-making*

- 9.1 systematic logical decision-making processes for the analysis of the options available, related to an organisation's strategic objectives, including the application of differential cost analysis to evaluate the options
- 9.2 how to distinguish those costs and revenues that are relevant for decision-making purposes from those that are irrelevant, in order to select the appropriate costs and revenues to include in a specific decision analysis, based on an understanding of:
 - the specific decision and the resources that it will consume
 - how that decision relates to the strategy and objectives of the organisation
 - the extent to which relevant and reliable information is likely to be available from the accounting system
- 9.3 the qualitative factors that are likely to be relevant even if not easily quantifiable and how these may be integrated with the result of the quantitative analysis
- 9.4 application of these principles to decisions with long-term effects and strategic implications, such as the out-sourcing or off-shoring of a specific function
- 9.5 the principle of monetising qualitative factors in cost-benefit analyses in major public-sector projects and the alternative methods of monetisation, including their relative advantages and disadvantages

- 9.6 the opportunity costs of undertaking a particular course of action when production resources are in short supply, and select the option that optimises contribution

10 *Capital investment expenditure and appraisal*

- 10.1 the nature, purpose and significance of capital investment appraisal in adding value to an organisation
- 10.2 the principle of discounting future income streams (cash flows) as being the application of the organisation's overall cost of capital to the evaluation of a specific project
- 10.3 internal rate of return (IRR) and its relation to net present value
- 10.4 discounted payback period and its relation to simple payback
- 10.5 the five main methods of capital investment appraisal and how these can generate apparently contradictory conclusions in respect of a single project
- 10.6 the effects of inflation on discount rates and consequently on the calculation of net present value, and how to adjust calculations accordingly
- 10.7 how taxes on profits should be taken into account in calculations of net present value
- 10.8 the main methods that organisations can adopt in order to reflect project risk in project appraisals
- 10.9 the circumstances in which either an internal or external capital rationing situation can arise and adapt the basic principles of capital investment decision-making accordingly
- 10.10 the organisational processes to be followed both in appraising proposed capital investments prior to a decision to proceed and implement, and subsequently in post-implementation reviews of their success or otherwise

11 *Budgeting and budgetary control*

- 11.1 how a budget and/or the financial element of a business plan relates to other aspects of the planning process and to other areas of management
- 11.2 evaluation of a proposed budget in terms of:
- its consistency with the organisation's objectives and strategy, and the potential for a satisfactory outcome
 - its internal logical consistency and external consistency with the known state of the market and the organisation's context
 - the principal sensitivity factors
 - the degree of risk faced by the organisation and its stakeholders, and any downside protection in the event of failure

- 11.3 the potential impact on a budget of changes in external variables, including macro-economic factors
- 11.4 the risks involved in the budget-setting process, including:
- budgetary slack
 - inter-departmental conflict
 - issues involved in setting appropriate standards and targets such as the tension between setting 'stretch' targets for motivation and the need for prudence in planning
 - the time and cost of the budgeting process
- 11.5 the alternative approaches that may be adopted in budget-setting and the multiple purposes that budgeting can aim to fulfil, and the making of recommendations on the most appropriate budgeting methodology for an organisation, including consideration of:
- incremental and zero-based budgeting
 - top-down and bottom-up / participative
 - fixed-term and rolling budgets
 - deciding the appropriate extent of detailed control over budget-holders, and the use of ring-fencing
- 11.6 appropriate controls to ensure satisfactory implementation of the budget-setting process, including:
- budget committee, manuals, guidelines
 - budget-setting timetables, and budget revisions
 - appropriate levels of authorisation
 - the extent of flexibility allowed for subsequent virement and/or carrying forward unspent budgets to future periods
- 11.7 variances in the context of both flexed and unflexed budgets, distinguish a simple cost or revenue variance into its efficiency and price sub-variances, and appropriate actions for management consequent on reported variances
- 11.8 the implications of budgetary control for organisational behaviour, and for achieving an appropriate balance between trust, control and accountability

12 *Financial approaches to management control*

- 12.1 the effects of alternative approaches to the control by the centre of an organisation of semi-autonomous sub-units in the context of:
- organisational objectives in devolving authority from the centre to sub-units; balancing autonomy and motivation with central control and the optimisation of overall organisational objectives and value
 - the extent of reliance on financial approaches to management control as opposed to other approaches, and achieving the optimal balance of approaches
 - management of sub-units as investment centres
 - return on investment (ROI), residual income and economic value added as alternative methods of financial measurement of divisional performance

- potential problems of organisational behaviour that could arise such as conflict between sub-units and gaming behaviour

12.2 how transfer pricing (internal charging) can be used to mediate trading relationships between sub-units, including:

- the potential multiple objectives of transfer pricing systems
- alternative bases on which transfer prices can be set partial transfer pricing systems such as service-level agreements
- alternative organisational processes of setting transfer prices
- evaluation of the relative advantages and disadvantages of alternative systems of setting transfer prices and administering transfer pricing systems
- the tax implications and potential risks arising from this for organisations operating in a globalised environment

M3 Risk Assurance and Audit Management

Credit rating and level: 15 credits at PG1 (level 7)

Aims and objectives

The aim of this module is to develop and enhance the internal auditor's knowledge and understanding of risk management, internal audit and corporate governance. The application of this knowledge provides the basis for enhancing the quality of the assurance opinion provided to internal audit stakeholders. The module raises the awareness and sensitivity of internal auditors to broader strategic issues and how they may impact both upon the organisation and the internal audit function.

The module both uses and builds upon the knowledge and competencies expected at IIA Diploma level. In particular, the application of knowledge and the critical analysis of situations in the key subject areas will be expected. The subject areas will cover all sectors and have information system requirements embedded throughout. As a result, it is expected that students completing this module will have greater skill and confidence in deepening their probing of, and making judgements on, risk related issues

Those who have successfully completed the module will be able to:

- critically evaluate current control models and assurance frameworks that support corporate governance requirements
- analyse, appreciate and exploit the cultural and political environment, particularly where organisational management and/or the board require an informed judgement and opinion about corporate governance arrangements
- understand the different stakeholder perspectives that underpin effective risk management within an organisation
- understand and assess the balance between managing risk and taking risks as it affects the overall strategy of the organisation
- evaluate the effectiveness of reporting in relation to risk management and corporate governance
- differentiate and apply the hard (processes and procedures) and soft (skills and competencies) factors required to manage an internal audit function
- apply the *International Professional Practices Framework* and the ethical standards in an organisational environment
- understand the advanced theoretical concepts and best practice requirements which underpin the assurance and consulting roles, responsibilities, and management of internal audit
- understand advanced IT risks and their impact on the organisation, and how information systems may be used to help manage risk and providing assurance across the whole of the organisation
- understanding the global governance environment (past, present and future), and the application of relevant models, frameworks and guiding principles
- explain the strategic importance of governance, risk and control, and evaluating the effectiveness of these arrangements
- application of governance, risk and control best practice techniques and how to assess their use and limitations
- analyse complex situations, particularly relating to governance, risk and control issues, as a basis for assessing the most appropriate role for internal audit
- advise on governance, risk and control issues at all organisational levels

- understand the skills and knowledge needed to be able to manage (and manage the risks associated with) an internal audit function
- promote internal audit and its benefits as an independent provider of objective assurance and consultancy services
- demonstrate how to contextually apply the theory and practice of internal auditing across all levels of any organisation
- demonstrate how the International Professional Practices Framework affects the work of internal audit

Knowledge and understanding

On completion of this module, students will have knowledge and understanding of:

1 Corporate governance

- 1.1 national and international governance codes and legislative frameworks, their application (use, benefits and limitations) across organisations, and their impact on internal audit
- 1.2 the differences between principles-based and rule-based frameworks, and the strengths and weaknesses of each
- 1.3 the principal assurance providers, how they contribute to the overall governance framework and their relationship with internal audit, including:
 - management
 - audit committees
 - compliance function
 - insurance function
 - security function
 - risk management function
 - health and safety function
 - public sector inspectorates
 - external assurance providers
- 1.4 the development and key drivers of organisational culture and the internal political environment
- 1.5 how cultural, political, societal, technological, legislative, environmental and ethical factors influence corporate governance

2 Risk management

- 2.1 how embedding risk management within an organisation can lead to a more integrated and risk aware culture, including:
 - advantages and disadvantages of a risk aware culture
 - potential barriers to embedding risk management (such as risk lethargy, the size and diversity of the organisation, geographical spread and the nature of the product/service offering)
 - risk management frameworks, including enterprise wide risk management (ERM)
 - the use of technological solutions

- 2.2 advanced approaches to risk management, including:
- evaluating risk policy and its component parts (such as risk appetite and risk tolerance)
 - the difference between gross and net risks
 - different approaches to risk incident capture, reporting and monitoring, including technological solutions
 - the process of identifying potential new sources of risk from the internal and external environments and their potential impact of the organisation
- 2.3 broader dimensions of risk management and their importance to the overall risk management framework, including:
- risk financing
 - risk psychology and human behaviour
 - insurance as a risk mitigator
 - capital modelling techniques
 - the impact of risk assurance on shareholder value
- 2.4 specific and topical risk types and their importance to different business sectors, including:
- agency risk (agents/principals)
 - credit risk
 - financial risk
 - fraud risk
 - information systems risk
 - internal systems and control risk
 - internet and e-commerce risk
 - legal risk
 - market risk
 - organisational/operational risk
 - outsourcing risk
 - pensions risk
 - political risk
 - project risk
 - reputational risk
 - service delivery risk
 - strategic risk
- 2.5 organisational failure, what happens when things go wrong (causes and implications) and organisational response, as well as lessons to be learned from organisational successes
- 2.6 how stakeholder pressure influences risk management and how stakeholder relationships should be managed to mitigate stakeholder risk
- 3 *Role of internal audit*
- 3.1 internal audit roles and the constraints relating to them when working as:
- consultant/adviser
 - negotiator
 - facilitator

- mentor
related to specific examples of internal audit activities designed to add value to an organisation
- 3.2 internal audit roles relating to risk management in an organisational context, the need for maintaining independence and the expectations of management
- 3.3 the concept of 'reasonable assurance' in a business context and how stakeholders' expectation of internal audit in this regard may be managed, including:
- the boundaries of assurance
 - recognising the risks which could cause a flawed assurance opinion to be given
 - evidence required to support the assurance opinion
 - evaluating evidence
 - the balance between positive and negative assurance
- 3.4 application of the *International Professional Practices Framework* (including the *International Standards*) used in practice and how it may guide the internal auditor in situations such as:
- personal responsibility
 - conflict of interest
 - ethical conflict
 - whistle blowing
- 3.5 the application and limitations of tools and techniques (including IT) used in audit and the most appropriate approach to use in a particular assignment
- 3.6 undertaking consultancy assignments and the skills set required to complete such an assignment successfully within an organisational context
- 3.7 audit involvement in complex and sensitive organisational areas such as:
- providing assurance on ethical and social risks
 - the use of consultants
 - reviewing board effectiveness
 - reviewing the control mechanisms for the delivery of organisational goals
 - forensic accounting
- 3.8 the role of internal audit in fraud with reference to practical guidance and the lessons learned from major fraud cases

4 *Audit Management*

- 4.1 effective management of an internal audit function, including:
- recruiting teams
 - training and CPD
 - motivating and retaining staff
 - managing staff problems
 - marketing the internal audit function
 - managing the internal audit reputation
 - using IT to streamline the audit process

- using standards to guide work and decision making
 - planning and managing the audit work plan
 - audit control processes
 - customer satisfaction survey techniques
 - data privacy and freedom of information
 - benchmarking and evaluating the success of internal audit
 - the management of large and small teams
 - the management of specialist and generalist auditors
- 4.2 the application of knowledge management in the internal audit function with specific reference to the effective sharing of knowledge internally and external
- 4.3 internal audit's relationship with senior management and the board of directors and how to build and nurture open and effective communication channels
- 4.4 the use and importance of networking as a basis for maintaining awareness of events and their potential impact upon audit plans
- 4.5 the principles of effective reporting to the board, the audit committee and other stakeholders, including:
- what and when to report, and to whom
 - why reporting must take cognisance of the organisational context
 - reporting and confidentiality
- 4.6 how internal audit can work effectively with other internal and external review and assurance agencies in order to provide an overall assurance opinion
- 4.7 the audit consultancy process, with reference to independence and the use of technological solutions
- 4.8 how to undertake a risk assessment of the internal audit function to identify the principal risks and how they may be managed
- 4.9 the relative advantages and disadvantages of in-house, out-sourced and co-sourced provision of internal audit
- 4.10 how internal audit can contribute to the management development and the implementation of the various means of internal audit provision

M4 Advanced Internal Auditing Case Study

Credit rating and level: 15 credits at PG1 (level 7)

Aims and objectives

The aim of this module is to enable students to demonstrate a comprehensive grasp of audit management by integrating their knowledge, skills and understanding through the completion of a summative case study examination. It will confirm the individual's ability to offer strategic insights into corporate governance, risk management and internal controls in a realistic practical context. Through critical analysis and evaluation, candidates will be expected to show their comprehension of strategic and financial development, planning and management, and the strategies for delivering effective internal audit services. They will need to be able to describe and explain the tactics needed to exert influence with senior staff members in order to manage the process of providing assurance at the required level in respect of operational and strategic risks in all areas of an organisation and to justify the approaches taken.

Those who have successfully completed this module will be able to:

- operate effectively in accordance with the International Professional Practices Framework
- demonstrate a critical understanding of strategic and operational management, including those issues relating to human and physical resources, finance and information systems
- identify relevant internal and external factors that impact on management and decision-making
- apply a thorough appreciation of a risk-based approach to internal audit, control and governance, including the appropriate use of quality models and frameworks
- describe and interpret organisational and management theories and practice
- critically analyse complex information, including financial data
- develop and express evaluative judgments
- display a comprehensive understanding of the regulatory and legal framework within which their own or clients' organisation operates
- communicate convincingly in a style and manner appropriate for a wide range of target audiences and circumstances
- select and apply a range of advanced operational and research tools and techniques

Knowledge and understanding

The knowledge and understanding requirements for this module are covered by the syllabus specifications for the IIA Diploma and modules M1 to M3 of the IIA Advanced Diploma above.

Professional experience journal

The purpose of the professional experience journal is to confirm professional competence in all four theory modules of the IIA Advanced Diploma.

In order to do this, students need to provide evidence that, as part of their role as a practising internal auditor, they have met the required standards of performance. The expected standards are defined in the syllabus as core competencies and they reflect the internal audit competencies as defined in the global internal audit competency framework.

This framework has been summarised for use in both the Institute's qualifications' professional experience requirements and the ongoing CPD programme for voting members. The core competencies for the IIA Advanced Diploma are detailed in below:

1. IPPF
2. Finance and accounting
3. Organisational and management theory
4. Organisational context
5. Economics
6. Quality and control
7. Personal effectiveness
8. Communication
9. Managing others
10. Managing conflict
11. Managing performance
12. Managing change
13. Research and investigation
14. Business processes and project management
15. Risk and control
16. Data collection and analysis

it is important to establish that you have been engaged in contributing to the process of internal audit. Typical activities will include:

- operating effectively within an organisation as a provider of internal audit services (which may be internal or outsourced)
- participating in the macro planning process
- participating in the delivery of internal audit engagements, including audit follow up
- liaison with the board, audit committee and senior management
- observing and commenting on risk assessment exercises
- contributing to recommendations for improvements and participating in improvement projects within the internal audit function
- demonstrating understanding of the knowledge areas that underpin internal audit (as defined by the iia advanced diploma syllabus)
- applying a range of technical, interpersonal and IT skills

To supplement and authenticate your claims you will need to provide a range of evidence to present to your line manager, such as:

- notes from interviews
- project plans
- minutes of meetings that you have attended

- copies of presentations made
- copies of reports produced or selected extracts
- letters received
- memos
- certificates
- photographs
- attestations from independent parties

The professional experience journal should be signed off as a true and fair record by your manager to confirm that they have viewed the evidence that confirms your competence against the defined standards. The evidence needs to be relevant, recent and reliable.

In deciding what evidence is appropriate you need to consider what competency you wish to demonstrate and how the evidence provides confirmation that you meet the appropriate standards. A well selected piece of evidence may be used to support you claims across several areas at once. Verifying the content and your contribution to it are also important considerations.

Core competency statements

	Professional experience journal reference	Core competency	Detailed competency statement
Internal audit standards, theory and methodology	1. IPPF	II1 – applies the relevant portions of the International Professional Practices Framework	Can use the IIA international standards to ensure that: audit assignments are quality controlled; audit methodology follows a risk based approach covering planning, fieldwork, reporting and follow up; the audit department is independent through its reporting line; internal audit has access to all systems, processes and people; and audit assignments are conducted with due professional care
Knowledge	2. Finance and accounting	KIE1 - applies an understanding of the technical aspects of finance and accounting appropriate to their own or clients' organisation when communicating with others KIE2 - Applies an understanding of management accounting appropriate to their own or clients' organisation when communicating with others	Understands and is able to analyse and interpret accounting information, including accounting statements, terminology, processes and procedures and financial instruments, as well as the accounting entries required for recording and managing cash, and other specific transactions and events, within the context of the business development cycle Is able to apply cost concepts and costing systems (including absorption costing, variable costing, full costing, marginal costing and activity-based costing), capital and operational budgeting, as well as transfer pricing (if appropriate) and relevant cost
	3. Organisational and management theory	KIE3 - Applies an understanding of organisational and management theory to own or clients' organisation	Is aware of and takes into account the impact of the external environment including political; economic; social; environmental /ethical and legal/regulatory factors when discussing risks with management and when developing the audit plan or involvement in ad-hoc assignments Ability to apply management models such as Porters Five Forces; game theory and value chain analysis to organisational activities and situations Considers the ability of the organisation to meet the challenges/ opportunities of the external environment through an ongoing assessment of the resources available internally including infrastructure: staff; finances. Relates audit work to strategic objectives and related risks Understands how strategic objectives are related to business objectives and key performance indicators within key organisational activities such as finance; facilities; marketing; HR; supply chain; IT and project management

	Professional experience journal reference	Core competency	Detailed competency statement
Knowledge (cont.)	4. Organisational context	KEE1 - Applies an understanding of the regulatory and legal framework within which their own or clients' organisation operates	Is aware of and takes into account the impact of legislation and regulation, including trade legislation and regulations, labour laws, copyright, privacy and cyber laws, civil and penal laws, taxation schemes, contract law, and the nature and rules of legal evidence
	5. Economics	KEE2 - Applies an understanding of macro- and micro-economics appropriate to the organisation when communicating with others	Is aware of and takes into account the impact of macroeconomic factors (including the state of the economy, the economic environment within which business and financial decisions are made, the workings of financial markets, government policies, national income, employment, investment, interest rates, the supply of money, inflation, exchange rates, and the formulation and operation of stabilisation policies) and microeconomic factors (including market mechanisms that establish relative prices among goods and services and allocate limited resources among many alternative uses, market failure, perfect competition, general equilibrium, markets under asymmetric information, choice under uncertainty and economic applications of game theory, and elasticity of products within the market system)
	6. Quality and control	KQC1 - applies a range of appropriate quality models and frameworks KQC2 - Demonstrates an understanding of the principles of ethics and integrity KQC3 - identifies the risk of fraud occurring and the appropriate means for detection, investigation and prevention KQC6 - maintains effective working relationships with other assurance providers	Understands and applies quality frameworks including EFQM, ISO standards, Six Sigma and TQM as appropriate – this can be within the internal audit department and /or the organisation Can demonstrate that the IIA's code of ethics (and any organisation ethical code) is applied in every audit assignment so that information is kept confidential, audit work is only undertaken where the auditor is competent to do so, conflicts of interest are disclosed, and the auditor acts objectively in all situations, ensuring that where ethical conflicts do occur they are discussed with the head of audit, and can apply ethical principles and values to the activities being audited within the organisation, acting with due sensitivity where these principles are being abused Understands the definition and application of fraud concepts and applies them to business systems such as procurement, sales, accounting, payroll, fixed assets and organisational knowledge, recognising detection methods such as red flags Is able to develop and sustain good relationships and effective coordination with those who provide assurance services, such as external auditors, compliance officers, and others

	Professional experience journal reference	Core competency	Detailed competency statement
Interpersonal skills	7. Personal effectiveness	SPE1 - develops and wields influence effectively	Is able to gain the trust of others and be influential by building consensus, support and alliances through negotiation, persuasion and the use of networking in a manner that is inclusive, confident, politically astute, diplomatic, sensitive and proactive
		SPE2 - develops and implements organisational policies and procedures effectively	Understands, implements and contributes to the development and review of the organisation's policies and procedures including those relating to the internal audit function
		SPE3 - develops and exploits effective working relationships	Cultivates networks, creates opportunities to develop relationships and build bonds, and is open and approachable, using tact and diplomacy
		SPE4 - operates effectively through proactive collaboration	Identifies and nurtures collaboration proactively through the sharing of plans, goals, information and resources within the audit team and the organisation where appropriate, creating a professional, cooperative, confidential and safe environment, whilst recognising own limitations, admitting mistakes and seeking support from others as required – support can come from membership of external groups such as district societies or sector specific groups while at the same time maintaining confidentiality where necessary Can advocate the internal audit function to others
	8. Communication	SC3 - advocates the internal audit function to others	
	9. Managing others	SMO1 - manages staff effectively	Establishes and implements procedures for recruitment, selection, succession planning, appraisal, performance management, professional development and workload management for team members, dealing with individuals sensitively in a manner that promotes diversity
		SMO2 - builds and inspires a team	Is able to build a team, create unity, lead by example, demonstrate a commitment to values and develop an inspiring vision for self and others, taking calculated risks to achieve goals as required
		SMO4 - leads a team effectively	Can develop, lead and promote a team through enthusiastic support, protection, assistance, encouragement, guidance, praise participation and sharing

	Professional experience journal reference	Core competency	Detailed competency statement
Interpersonal skills (cont.)	10. Managing conflict	SMO3 - manages and resolves conflict	Is able to lead in a crisis, identifying and resolving conflict and disagreements through win-win strategies, dealing with difficult people and difficult situations with tact and diplomacy; difficult situations may include differences of opinion between internal audit and a client on the results of audit work; differences of opinion on the risk maturity of the organisation; poor attitude of auditors when working at a client's base; non-cooperation of clients to audit requests for information
	11. Managing performance	SMP1 - manages performance effectively	Sets and communicates clear targets for performance such as key performance indicators (KPIs) that are reviewed on a regular basis, ensures KPIs are approved by the audit committee, and is able to address issues of individual performance promptly, providing performance feedback that is sensitive to personal issues
		SMP2 - manages own workload and that of team effectively	Is able to multi task and meet given deadlines as well as set challenging goals for team and manage their responsibilities, using time and other resources in a focused, efficient and effective way whilst maintaining and promoting a healthy work-life balance
12. Managing change		SMC1 - acts as a champion for change	Acts as a champion for change and enlists the support of others by developing a change strategy and modelling expected change, assessing potential barriers and resources needed, and providing resources, direction and focus - change can occur through a change to the audit methodology or working practices
		SMC2 - responds positively to change	Responds quickly and positively to change, switching strategies and tactics and maintaining work efficiency even in unclear situations, coping with any associated stress - unclear situations may include a proposed move from an in-house audit service to an outsourced solution; the use of contract auditors and co-source arrangements; threat of redundancy and reductions in the audit team; merger with another organisation;
Tools and techniques	13. Research and investigation	TR11 - selects and applies a range of appropriate operational and management research tools and techniques	Can select and use the appropriate operational research techniques (such as surveys; scatter diagrams; internet research; focus groups; mindmapping; trend analysis), developing and managing operations, strategy and process design, and understands cycle time, capacity, waiting time, basic decision analysis and simulation well enough to explain to others
		TR13 - selects and applies a range of appropriate forecasting tools and techniques	Can apply forecasting and predicting methods (such as scenario and horizon planning, extrapolation, modelling) to support managerial decision making, assess and apply modelling to predict outcomes and time sequencing such as in a business continuity scenario modelling to understand the percentage of business recovered at predictable times in the future

	Professional experience journal reference	Core competency	Detailed competency statement
Tools and techniques (cont.)	14. Business process and project management	TBP1 - manages projects within the internal audit function or organisation effectively	Can apply project management techniques to internal audit or organisational projects; ensures that lines of communication between project team members are kept open and that any problems are dealt with quickly; can escalate problems occurring within projects to the right level within the organisation without derailing the project
		TBP4 – uses performance management techniques to monitor and evaluate operational and strategic performance	Is able to review individual areas within audit assignments like finance, operations, learning and development and customer care to evaluate the effectiveness of their performance, and can use approaches such as the balanced scorecard to assess and evaluate the performance of the organisation or parts of it, including the audit function
	15. Risk and control	TRC2 - explains and applies internal controls and a range of control frameworks	Is able to apply major control frameworks such as COSO and CoCo and ISO standards where applicable to audit work, and understands where internal control fits within a risk focused audit assignment and the statement of internal control agreed by management at the year end, applying ad hoc control references in the absence of a control framework
		TRC3 - trains others in control model used	Can train a team or client on the model used within the organisation and compare with other alternatives - can be used within risk and control workshops
	16. Data collection and analysis	TDC1 - applies sampling, data analysis and other statistical techniques to analyse and assess data	Undertakes statistical analysis as part of the planning stage of the audit assignment to ensure that higher rated risks are given due focus in the fieldwork using software (such as IDEA and ACL) to select audit samples and analyse data trends, and using judgmental sampling to select samples where software is not available, and undertakes benchmarking of the organisation where appropriate and where data is available
		TDC2 - uses benchmarking data adequately	Can use benchmarking data for the organisation's sector and internal audit adequately where this is available
	TDC3 - uses data extraction software and communicates data manipulation requirements to others	Can use queries, organisation's own systems, or third party providers data extraction software, and can communicate requirements to a data warehouse expert for data extraction, transformation and loading techniques	