



DIPLOMA COURSE IN INTERNAL AUDIT

Course Objective:

Internal Audit is an assurance and consulting service that reviews the efficiency and effectiveness of the internal control. . It assists management at all levels in achieving objectives of the organization. It acts as 'eyes and ears' and 'go-to man' of the board of directors.

In the Companies Act 2013 the role of the internal Auditor is well acknowledged. The Act mandates the appointment of Internal Auditor. The internal auditor shall be either a Chartered Accountant or Cost Accountant or any other person to be appointed by the Board and Audit committee of the organization. According to the Rules framed under the Companies Act 2013 the following class of companies comes under mandatory Internal Audit.

- Every listed company
- Every public company having paid-up share capital of 50crore INR or more
- Every public company having turnover of 200 crore INR or more
- Every other public company which has any outstanding loans or borrowings from banks or public financial institutions of 100crore INR or more or which has outstanding deposits of more 25 crore INR or more at any point of time during the last financial year
- Every private limited company having turnover of 200 crore INR or more
- Every private limited company which has any outstanding loans or borrowings from banks or public financial institutions of 100 crore INR or more

Eligibility Criteria:

Only members of the Institute are eligible for registration for the programme

Pedagogy:

A mix of Web Based, self-study and contact sessions. A total of 240 hours of learning comprising 45 webinar sessions of 1-2 hours duration, 140 hrs of Self-Study, 30 hrs of Contact classes at Hyderabad Centre of Excellence, Hyderabad. Attendance in contact classes is optional. A candidate opting for contact sessions shall bear the cost for attending those. The Institute will not pay any TA and DA for attending the contact sessions.

As part of the Program, Completion of a detailed project report/ case study write-up is mandatory for the completion of the course. The detailed guidelines and framework for writing the case study and preparing the project will be issued to the participants in due course. Plagiarism of any kind will be punished severely.

Faculty:

Faculty will be drawn from academicians associated with top academic Institutes, practitioners engaged in Auditing and others, including Government officials and Regulators

Learning Outcomes:

On successful completion of the course, participants will gain knowledge on the theory and practice of Internal Audit. In particular, participants shall:

1. Develop proficiency in Internal Audit of different sectors
2. Building up Internal Audit as one of the core competence area of Cost and Management Accountants.

Course Duration:

Course will be of one-year duration and will involve investment of 240hours of learning. In addition, a participant is expected to invest around 50 hours in completing a Internal Audit project in the last leg of the course concurrently.

Course Fee:INR Twenty Thousand (Rs. 20,000/-) only

The course fee excludes the examination fee and the cost for attending personal contact classes, to be organized at Hyderabad.

Evaluation Mechanism:

Participants will be evaluated through written examination.

Examination will be conducted by the Examination Department of the Institute once/twice a year along with other examinations.

Examination fee is Rs. 1,200 per attempt. A student may appear in all the papers in one attempt or may appear in a single paper in one attempt.

The participants will be evaluated for each module of the course. The participants who will score 50 percent or more in the examination for each module and will obtain B or higher grade in the project will be awarded the Diploma in Internal Audit by the Institute. Grades will be awarded on project work and will not be included in calculating aggregate marks.

Course Contents:

Each paper will carry 100 marks.

Paper-I Nature of Internal Audit:

- I. **Nature of Internal Audit:** Definition of Internal Auditing, Evolution of Internal Audit, Need of Internal Audit, Code of Ethics. The Ethical climate, Investigate and recommend resolution for ethics/compliance complaints, Determine disposition of ethics violations, Foster healthy ethical climate, Maintain and administer business conduct policy, Define Report on compliance, Strategic and operational roles of Internal Auditor. Difference between Systems audit and Risk Based Internal Audit, Internal Auditor Vs Statutory Auditor, Internal Auditor Vs Cost Auditor.

- II. **Internal Controls:** Internal Control Framework, Internal Control techniques, designing the control process and Managerial controls, Control process Hierarchy, Communication Structures in Support of the Control process- Impact of Information Technology on Control Systems, Alternative control frame works. Role of Internal Auditors in implementing internal controls in the organization. COSO Internal Control - Integrated Frame work

- III. **Corporate Governance:** Importance of Corporate Governance, Corporate Governance principles, Different Systems of Corporate Governance, Role of Internal Auditor in Corporate Governance.
- IV. **Risk Management:** Risk vocabulary and concepts, Process of identifying different risks in the organization, Financial Risk Management, Risk Financing, Economics of the Risk Financing. Risk Management Techniques, Risk /control implications of different organizational structures, Risk/control implications of different leadership styles. Financial Position of the organization. External factors affecting Risk Financing, COSO Risk Management Frame work. Role of the Internal Auditor in Risk management.
- V. **Understand the internal Audit Activity's Role in organizational Governance:** Role of internal auditor in obtaining board approval of audit charter, Organizational Structure of Internal Audit. Report significant audit issues, Communicate key performance indicators to board on a regular basis, Discuss areas of significant risk, and Support board in enterprise-wide risk assessment.

Paper-II: Internal Audit Practice

- I. **Planning and Process of the Internal Audit:** Initiate Preliminary communication with engagement client, Conduct a preliminary survey of the area of the engagement. Establishing/ refine engagement objectives and identify/ finalize the scope of engagement. Internal audit planning process. Long term planning vs Short term planning, Internal Audit Engagement planning- planning for staffing and other resources requirements, establishing adequate planning and supervision of the engagement, Preparing the Audit work program
- II. **Data Collection and Analysis:** Sources of collection of data, evaluate the relevance, sufficiency and competence of evidence, Analyze and interpret data, Develop working papers, Review of working papers, communicate the interim progress, Draw conclusions
- III. **Tools and techniques for conducting the Audit Engagement: Sampling –** Nonstatistical, Statistical, Statistical Analysis. Data gathering tools-Interviewing, questionnaires, checklists. Analytical review techniques- Ratio estimation, variance analysis,

- IV. **Frauds and their management:** Determining the need for Fraud Investigation, Common types of Fraud, Fraud risks per engagement Area. Fraud Investigation- Determine parties to be involved with investigation. Establishing facts and extent of fraud. Interrogation/ Investigation Techniques. Uses of computers in analyzing data. Report out comes to appropriate parties. Process review to improve controls to prevent fraud and recommend changes. Forensic Audit
- V. **Other Types of Audits:** Internal Audit of banks- Stock and receivables audit, Concurrent audit. Social Audit, Human Resources Audit, Environment Audit, Cost Audit
- VI. **Internal Audit and Information Technology:** Control frameworks Data and network communication/connections-LAN, VAN and WAN. Electronic Fund transfer, e-commerce, Information protection-Virus, Privacy etc. Operating systems, ERP software, hacking.
- VII. **Internal Auditing Standards**

Paper-III: Internal Audit Report preparation

- I. **Skills for Internal Audit Report Preparation**
- ❖ Technical skills
 - ❖ Soft Skills
 - ❖ Information technology skills
- II. **Internal Audit Report Preparation**
- ✓ Purpose and objective of Internal Audit Reporting
 - ✓ Internal Audit report standards
- III. **Presentation of Internal Audit Report.**
- ❖ Contents of the internal audit report
 - ❖ Presentation of the internal audit report
 - ❖ Monitoring recommendation
- IV. **Practices and techniques followed in public sectors and not for-profit organizations**

V. Case Study / Project

Project

Every student will be required to complete a project on Internal Audit before or after passing written examinations. The candidate will register his/her project with the Institute and shall commence working on the same after receiving approval from the Directorate (Advanced Studies). He/she will submit the project report within six months from the date of the issuance of the approval by the Directorate (Advanced Studies).

Note: Awarding of the CEP Credit Hours to the members of the Institute is under active Consideration.

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