

# IIA

## Exam Questions IIA-CIA-Part1

Certified Internal Auditor - Part 1, The Internal Audit Activitys Role in Governance, Risk, and Control



#### NEW QUESTION 1

Which of the following statements accurately describes the responsibility of the internal audit activity regarding IT governance?

- \* 1. The internal audit activity does not have any responsibility because IT governance is the responsibility of the board and senior management of the organization.
- \* 2. The internal audit activity must assess whether the IT governance of the organization supports the organization's strategies and objectives.
- \* 3. The internal audit activity may assess whether the IT governance of the organization supports the organization's strategies and objectives.
- \* 4. The internal audit activity may accept requests from management to perform advisory services regarding how the IT governance of the organization supports the organization's strategies and objectives.

- A. 1 only.
- B. 4 only.
- C. 2 and 4.
- D. 3 and 4.

**Answer:** A

#### NEW QUESTION 2

Which two of the following are preventive controls in a check disbursement process?

- \* 1. Daily reconciliation of the bank account used for check disbursements and prompt follow-up of un-reconciled items.
- \* 2. Segregation of the following duties: establishing new vendors, approving checks, and reconciling the bank account.
- \* 3. An activity report detailing who accesses the check disbursement system and the nature of any action taken in the system.
- \* 4. Evidence of strong access controls ensuring that authorized individuals have access only to the functions related to their responsibilities.

- A. 1 and 3.
- B. 1 and 4.
- C. 2 and 3.
- D. 2 and 4.

**Answer:** D

#### NEW QUESTION 3

According to IIA guidance, which of the following external groups is most likely to represent a liability risk, based on activities associated with the organization's corporate social responsibility program?

- A. Consumers.
- B. Activists.
- C. Suppliers.
- D. Investors.

**Answer:** B

#### NEW QUESTION 4

An organization invests its savings in a volatile stock with the potential for high gains rather than a mutual fund with a lower expected return and lower volatility. This best describes which of the following risk concepts?

- A. Risk identification.
- B. Risk appetite.
- C. Risk capacity.
- D. Risk tolerance.

**Answer:** D

#### NEW QUESTION 5

According to IIA guidance, which of the following statements about working papers is false?

- A. They assist in the implementation of recommendations.
- B. They provide support for communication to third parties.
- C. They demonstrate compliance with auditing standards.
- D. They contribute to development of the internal audit staff.

**Answer:** A

#### NEW QUESTION 6

An organization is facing a financial downturn and needs to impose major budget reductions to all departments. According to MA guidance, which of the following actions is most appropriate for the board to take to evaluate the potential impact on the internal audit activity?

- A. Ask management to determine which internal audit engagements are lower risk and could be considered for removal from the annual audit plan.
- B. Ask appropriate stakeholders for their opinion on the potential impacts of reducing the scope of the internal audit plan.
- C. Ask the chief audit executive to determine whether budgetary limitations impede the ability of the internal audit activity to execute its responsibilities.
- D. Ask The human resources department to determine how the annual compensation and salary of the audit staff could be adjusted to achieve savings.

**Answer:** C

#### NEW QUESTION 7

Evidence discovered during the course of an engagement suggests that multiple incidents of fraud have occurred. There do not appear to be sufficient controls in

place to prevent reoccurrence. Which of the following is the internal auditor's most appropriate next step?

- A. Immediately notify management of the area under review and the other internal auditors involved in the engagement.
- B. Discuss the situation with the engagement supervisor to determine whether fraud investigation experts are required to investigate the matter properly.
- C. Fully document in the workpapers the evidence that has been discovered and recommend appropriate controls to address the fraud.
- D. Provide the evidence that was discovered to local law enforcement for possible prosecution of the suspected fraud.

**Answer:** A

#### NEW QUESTION 8

What is the additional advantage of facilitated workshops, in comparison with structured interviews, used when testing the effectiveness of entity-level controls?

- A. During facilitated workshops, people more openly say things to internal auditors than during private interviews.
- B. Internal auditors do not need other sources of information, as the data gathered during facilitated workshops is sufficient.
- C. Facilitated workshops create a synergy of discussion that can bring multiple perspectives to the same issue.
- D. The testimonial evidence obtained during facilitated workshops is generally considered more reliable.

**Answer:** C

#### NEW QUESTION 9

An internal audit team is performing an audit of workplace accident claims.

Which of the following actions by the audit team best demonstrates due professional care?

- A. Having an occupational health officer on the engagement team.
- B. Determining that the claims have been classified properly.
- C. Placing reliance on medical reports from the injured worker's doctor.
- D. Reviewing claims to ensure all accidents actually occurred in the workplace.

**Answer:** A

#### NEW QUESTION 10

Which of the following activities should the chief audit executive perform to ensure compliance with an organization's code of conduct?

- A. Act as an adviser to the committee responsible for reviewing violations of the code.
- B. Review and adjudicate all violations of the code of conduct.
- C. Lead the committee responsible for the oversight of the code.
- D. Implement a system of procedures to inform all employees of the code.

**Answer:** A

#### NEW QUESTION 10

According to IIA guidance, the results of a formal quality assessment should be reported to which of the following groups?

- A. The audit committee and senior management.
- B. The audit committee and the external auditors.
- C. Senior management and management of the audited area.
- D. Senior management and the external auditors.

**Answer:** A

#### NEW QUESTION 15

According to IIA guidance, which of the following is ultimately responsible for seeing that the internal control system of an organization's social responsibility program is effective?

- A. Senior management.
- B. Internal audit activity.
- C. All employees.
- D. Board of directors.

**Answer:** D

#### NEW QUESTION 17

An internal auditor is using a spreadsheet application to review a cash flow forecast prepared by management. Which of the following correctly identifies the type of evidence this information represents?

- A. Competent, corroborative evidence of future working capital requirements.
- B. Sufficient, analytical evidence of the cash flow position at a given point of time in the future.
- C. Competent, documentary evidence of future cash flow changes within the organization.
- D. Sufficient, circumstantial evidence of the future solvency of the organization.

**Answer:** C

#### NEW QUESTION 20

The chief audit executive (CAE) of a small internal audit activity (IAA) performs all high-risk engagements on the annual audit plan to make use of his knowledge and experience and to maximize the efficient use of audit resources. Which of the following statements is most relevant regarding this practice?

- A. The CAE's work may be reviewed by any other experienced staff member within the IAA.
- B. The CAE's work should be reviewed by an individual with the appropriate background and knowledge.
- C. The CAE may self-review his work, provided he discloses this practice in the final report.
- D. The CAE should avoid performing engagements to ensure he is able to review all audit work objectively.

**Answer: B**

#### NEW QUESTION 22

Which of the following types of social responsibilities is voluntary and guided purely by the organization's desire to make social contributions?

- A. The bottom of the pyramid responsibility.
- B. Innovative responsibility.
- C. Ethical responsibility.
- D. Discretionary responsibility.

**Answer: C**

#### NEW QUESTION 25

According to The IIA's Code of Ethics, which of the following actions violates the principle of confidentiality?

- A. Accepting a consulting request in the IT department without possessing the requisite experience.
- B. Providing personal tax preparation services for a fee for several employees during the lunch hour.
- C. Providing a friend with the marketing strategic plan, which she will use to prepare her university thesis.
- D. Agreeing to reword an observation to avoid the client complaining directly to the auditor's supervisor.

**Answer: C**

#### NEW QUESTION 30

Which of the following situations is most likely to impair internal audit objectivity?

- A. An internal auditor reports both functionally and administratively to the chief financial officer (CFO).
- B. An internal auditor, who was an accounts receivable intern for the organization three years prior, performs an audit of the accounts receivable cycle.
- C. According to policy, the internal auditor must obtain approval from the CFO prior to requesting information for internal audit purposes.
- D. An internal auditor performs an audit in a department that is led by the auditor's close friend.

**Answer: D**

#### NEW QUESTION 32

An internal auditor uses a predefined macro provided in a popular spreadsheet application to verify the present value of the organization's investments. Which of the following is the most appropriate course of action regarding the auditor's use of this functionality?

- A. The auditor should accept the calculations generated by the function, as any further work or documentation would be inefficient.
- B. The auditor should perform a manual recalculation of several results to validate and document the results.
- C. The auditor should review the programming of the macro before its use to ensure that it is appropriate for the required calculations.
- D. The auditor should tabulate the results in the spreadsheet to ensure the macro has generated the correct results for all calculations.

**Answer: B**

#### NEW QUESTION 34

During an audit, the client questions the internal audit activity's authority to perform procedures over fraud allegations. According to IA guidance, which of the following would provide the most relevant support to respond to the client's concerns?

- A. Definition of Internal Auditing.
- B. IA Standards.
- C. Internal audit charter.
- D. The IIA's Code of Ethics.

**Answer: C**

#### NEW QUESTION 37

According to COSO, which of the following describes a principle related to the control environment?

- A. The organization identifies and assesses changes that could significantly impact the system of internal control.
- B. The organization establishes appropriate authorities and responsibilities in the pursuit of objectives.
- C. The organization selects and develops control activities that contribute to the mitigation of risks.
- D. The organization performs evaluations to ascertain whether internal control components are present and functioning.

**Answer: B**

#### NEW QUESTION 39

Which of the following is the most common way that occupational fraud is detected?

- A. Internal audits.
- B. Whistleblower hotline.
- C. Key controls.

D. External audits.

**Answer: B**

**NEW QUESTION 44**

Which of the following combinations of conditions is most likely a red flag for fraud?

- A. The practice of surprise audits and the implementation of an employee support program.
- B. Hiring an employee with a prior fraud conviction and yearly management review.
- C. Occasional accounting department overrides and discontinuation of the anonymous fraud hotline due to infrequent use.
- D. A veteran employee in upper management experiencing financial difficulties and recently implemented enhanced controls.

**Answer: C**

**NEW QUESTION 45**

Which of the following is not an objective of internal control?

- A. Compliance.
- B. Accuracy.
- C. Efficiency.
- D. Validation.

**Answer: D**

**NEW QUESTION 46**

Which of the following actions best demonstrates that an internal auditor is exercising due professional care?

- A. The auditor performs thorough reviews and provides absolute assurance of regulatory compliance.
- B. The auditor is alert to the possibility of fraud and activities where irregularities are most likely to occur.
- C. The auditor recommends improvements for all of the organization's procedures and practices.
- D. The auditor is cognizant of reducing travel expenses by combining a personal vacation with a business trip.

**Answer: B**

**NEW QUESTION 50**

Which of the following is the primary engagement responsibility of an entry-level internal auditor?

- A. Leadership.
- B. Documentation.
- C. Analysis.
- D. Reporting.

**Answer: C**

**NEW QUESTION 51**

Which of the following offers the best evidence that the internal audit activity has achieved organizational independence?

- A. An independent third party has assessed the organization's system of internal controls to be adequate and effective.
- B. The chief audit executive reports both functionally and administratively to the CEO.
- C. The internal audit charter is drafted properly and approved by the appropriate parties.
- D. The mission statement and strategy of the internal audit activity demonstrates alignment to organizational objectives.

**Answer: B**

**NEW QUESTION 52**

Which of the following scenarios best illustrates the principle of due professional care?

- A. An internal auditor evaluates the significant risks arising from a consulting engagement.
- B. An internal auditor declares that he would have a conflict of interest in providing planned audit support.
- C. An internal auditor has been given sufficient authority to access documents needed to make an appraisal of an issue.
- D. An internal auditor uses technology-based audit techniques to ensure that all significant risks are identified.

**Answer: A**

**NEW QUESTION 53**

A manufacturing line supervisor joins the internal audit activity for a two-year rotational job assignment and is assigned to an accounts receivable audit. With regard to this assignment, which of the following should be the primary concern of the audit manager?

- A. Due professional care.
- B. Individual independence.
- C. Individual objectivity.
- D. Organizational independence.

**Answer: A**

#### NEW QUESTION 58

Which of the following is an example of a directive control?

- A. Segregation of duties.
- B. Exception reports.
- C. Incentive compensation plans.
- D. Automated reconciliations.

**Answer: C**

#### NEW QUESTION 61

A snow removal company is conducting a scenario planning exercise where participating employees consider the potential impacts of a significant reduction in annual snowfall for the coming winter. Which of the following best describes this type of risk?

- A. Residual.
- B. Net.
- C. Inherent.
- D. Accepted.

**Answer: C**

#### NEW QUESTION 62

According to IIA guidance, which of the following scenarios demonstrates an internal auditor exercising due professional care?

When auditing investments, the auditor identified instruments with which he was unfamiliar. He decided not to select that type of investment in his sample, as he did not have the knowledge needed to

- A. perform a proper assessment.
- B. An auditor was reviewing inventory counts conducted by the warehouse staff
- C. One truck containing an immaterial amount of inventory was off-site and wasn't verified by the auditor.
- D. An auditor visited a plant that produces a significant portion of the organization's inventory
- E. The day he arrived, the plant manager was out sick, so the auditor issued the report without interviewing the manager.
- F. An auditor in charge needed to have testing completed by the end of the month, but was behind schedule
- G. He identified a junior auditor to conduct the work for him on a complex area of the organization.

**Answer: A**

#### NEW QUESTION 63

Which of the following would be considered a violation of The IIA's mandatory guidance on independence?

- A. The chief audit executive (CAE) reports functionally to the board and administratively to the chief financial officer.
- B. The board seeks senior management's recommendation before approving the annual salary adjustment of the CAE.
- C. The CAE confirms to the board, at least once every five years, the organizational independence of the internal audit activity.
- D. The CAE updates the internal audit charter and presents it to the board for approval periodically, not on a specific timeline.

**Answer: B**

#### NEW QUESTION 68

According to the International Professional Practices Framework, which of the following are allowable activities for an internal auditor?

- \* 1. Advocating the establishment of a risk management function.
- \* 2. Identifying and evaluating significant risk exposures during audit engagements.
- \* 3. Developing a risk response for the organization if there is no chief risk officer.
- \* 4. Benchmarking risk management activities with other organizations.
- \* 5. Documenting risk mitigation strategies and techniques.

- A. 4 and 5 only.
- B. 1, 2, and 3 only.
- C. 1, 2, 4, and 5 only.
- D. 2, 3, 4, and 5 only.

**Answer: C**

#### NEW QUESTION 73

Upon joining the internal audit activity, each new auditor receives a copy of the audit handbook. Which of the following handbook policies has the greatest risk of compromising audit objectivity?

- A. Internal auditors should obtain 80 hours of continuing professional education every two years, 20 of which should be audit-related, and the remainder may be operations-related.
- B. Internal auditors should rotate to other areas of the organization for nonaudit assignments to gain an understanding of the organization's operations.
- C. Internal auditors should have direct and unrestricted access to personnel and information throughout the organization and the governing board.
- D. Internal auditors should undergo annual performance appraisals conducted by the chief audit executive, who reports administratively to the chief financial officer.

**Answer: B**

#### NEW QUESTION 76

An internal auditor is reviewing the accounts receivable when she discovers account balances more than three years old. The auditor was previously supervising the area during this time, and she subsequently advises the chief audit executive (CAE) of a potential conflict.



Which of the following is the most appropriate course of action for the CAE to take?

- A. Replace the auditor with another audit staff member.
- B. Continue with the present auditor, as more than one year has passed.
- C. Withdraw the audit team and outsource the financial audit of the division.
- D. Work with the division's management to resolve the situation.

**Answer:** A

#### NEW QUESTION 80

Which of the following is an example of a detective control?

- A. Automatic shut-off valve.
- B. Auto-correct software functionality.
- C. Confirmation with suppliers and vendors.
- D. Safety instructions.

**Answer:** C

#### NEW QUESTION 82

Which of the following is an example of a risk avoidance strategy?

- A. Hedging against exchange rate variations.
- B. Limiting access to an organization's data center.
- C. Selling a nonstrategic business unit.
- D. Outsourcing a high-risk activity.

**Answer:** C

#### NEW QUESTION 85

As a matter of policy, the chief audit executive routinely rotates internal audit staff assignments and periodically interviews the staff to discuss the potential for conflicts of interest. These actions help fulfill which of the following internal audit mandates?

- A. Organizational independence.
- B. Professional objectivity.
- C. Due professional care.
- D. Individual proficiency.

**Answer:** B

#### NEW QUESTION 87

Which of the following are core responsibilities to be included in the internal audit charter?

- \* 1. Review reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- \* 2. Determine the adequacy and effectiveness of the organization's systems of internal accounting and operating controls.
- \* 3. Participate in the planning and performance of audits of potential acquisitions with the organization's outside accountants and other members of the corporate staff.
- \* 4. Report to those members of management who should be informed of results of audit examinations, the audit opinions formed, and the recommendations made.

- A. 1 and 2.
- B. 1 and 4.
- C. 2 and 3.
- D. 2 and 4.

**Answer:** A

#### NEW QUESTION 88

Which of the following is an example of a management control technique?

- A. A budget.
- B. A risk assessment.
- C. The board of directors.
- D. The control environment.

**Answer:** A

#### NEW QUESTION 93

According to The MA Global Internal Audit Competency Framework, which of the following areas of training would best assist the internal audit activity in improving its use of tools and techniques?

- A. Negotiation and conflict resolution.
- B. Project management.
- C. Financial accounting.
- D. Ethics and fraud.

**Answer:** B

#### NEW QUESTION 97

Which segregation of duties would best reduce the risk of payroll fraud?

- A. Human resources personnel add employees, and payroll personnel process hours and enter employee bank account number
- B. Paychecks are automatically deposited in the employee's bank account.
- C. Human resources personnel add employees, payroll personnel process hours, and human resources personnel deliver paychecks to employees.
- D. Human resources personnel add employees, review and submit payroll hours to the payroll department for processing, and deliver paychecks to employees.
- E. Human resources personnel add employees and enter employee bank informatio
- F. Payroll personnel process hours, and paychecks are automatically deposited in the employee's bank account.

**Answer: A**

#### NEW QUESTION 102

An internal auditor completed an audit of a bank's loan department and found all significant risks to be managed adequately through effective internal controls. Which of the following would be an appropriate conclusion to report to management?

- A. The residual risk is lower than or equal to the risk appetite.
- B. The residual risk is higher than or equal to the risk appetite.
- C. The inherent risk is lower than or equal to the risk tolerance.
- D. The inherent risk is higher than or equal to the risk tolerance.

**Answer: A**

#### NEW QUESTION 107

In which of the following scenarios would the chief audit executive (CAE) be required to decline the assignment?

- A. The CAE would need to procure external services to deliver the internal audit assurance program.
- B. There is no expertise within the internal audit team for detecting and investigating fraud.
- C. There is no expertise within the internal audit team for auditing an IT engagement.
- D. There is no available expertise on the internal audit team to perform a consulting engagement.

**Answer: B**

#### NEW QUESTION 112

According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?

- A. To enable Triple Bottom Line reporting capability.
- B. To facilitate the conduct of risk assessment.
- C. To achieve and maintain sustainable development.
- D. To fulfill regulatory and compliance requirements.

**Answer: C**

#### NEW QUESTION 113

An internal audit activity is using the auditing-by-element approach to audit the organization's controls around corporate social responsibility. Which of the following would be an element for the internal audit activity to consider?

- A. Working conditions.
- B. Employees' families.
- C. Marketplace competition.
- D. Shareholders and investors.

**Answer: B**

#### NEW QUESTION 116

To fill a critical vacancy, an internal auditor is assigned temporarily to a nonaudit role in the purchasing department, where she worked previously before joining the internal audit activity. According to IIA guidance, which of the following statements is true regarding these circumstances?

- A. The chief audit executive (CAE) should review all work performed by the auditor during her temporary assignment to ensure no impairments.
- B. The CAE may conduct audits in the purchasing department during the auditor's temporary assignment.
- C. The auditor should obtain the CAE's approval as to the nature and scope of the duties she is permitted to perform during her temporary assignment.
- D. Any work performed by the auditor during her temporary assignment must conform to the internal audit charter.

**Answer: C**

#### NEW QUESTION 119

According to IIA guidance, which of the following is least compliant with the requirements regarding an internal auditor's need for objectivity?

- A. An internal auditor assessed the effectiveness of controls over payroll software, which he had helped implement with a previous employer.
- B. An internal auditor participated in an audit of controls around absenteeism, despite providing some consultation on controls in this area earlier in the year.
- C. An internal auditor performed an assurance engagement for the effectiveness of accounts payable access controls, one of which he previously helped to design.
- D. An internal auditor, previously employed in the quality assurance operations area, performed a consulting engagement for the operations manager.

**Answer: C**



#### NEW QUESTION 121

Which of the following is true regarding the use of a formal risk management framework?

- \* 1. It facilitates a methodical approach to risk mitigation.
- \* 2. It defines and standardizes the terminology used in risk communication.
- \* 3. It establishes the risk tolerance levels to be accommodated in the strategy.
- \* 4. It facilitates the alignment of risk mitigation strategies with management priorities.

- A. 1,2, and 3.
- B. 1,2, and 4.
- C. 1,3, and 4.
- D. 2, 3, and 4.

**Answer: B**

#### NEW QUESTION 122

According to IIA guidance, which of the following statements is true regarding the reporting of results from an external quality assessment of the internal audit activity?

- A. The external assessment results are reported upon completion in confidence directly to the board, and senior management is advised only of the recommendations and improvement action plans.
- B. The results of self-assessments with independent external validation are shared with the board upon completion, and monitoring of recommended improvements must be reported monthly.
- C. The external assessment results are communicated upon completion to senior management and the board, but action plans for recommended improvements do not have to be reported.
- D. The requirements for reporting quality assessment results are the same for external assessments and self-assessments with independent external validation.

**Answer: B**

#### NEW QUESTION 123

Which of the following enhances the independence of the internal audit activity?

- A. The chief audit executive (CAE) approves the annual internal audit plan.
- B. The CAE administratively reports to the board.
- C. The audit committee approves the CAE's annual salary increase.
- D. The chief executive officer approves the internal audit charter.

**Answer: C**

#### NEW QUESTION 128

An internal auditor is evaluating techniques management uses to mitigate risks within a particular product division. Which of the following is an example of risk reduction?

- A. Management sells the product division to a competitor.
- B. Management outsources the product division to a third party.
- C. Management allows the product division to remain unchanged.
- D. Management modifies the product division to minimize errors.

**Answer: D**

#### NEW QUESTION 132

According to IIA guidance, which of the following is not a responsibility of the chief audit executive pertaining to documenting information to support internal audit engagement results and conclusions?

- A. Rating each engagement record to assess its relevance and accessibility for the organization's board.
- B. Controlling access to engagement records, including access by senior management.
- C. Developing retention requirements for engagement records that are consistent with organizational guidelines.
- D. Forming policies governing the custody and retention of consulting engagement records before their release to other parties.

**Answer: A**

#### NEW QUESTION 136

According to IIA guidance, which of the following practices by the chief audit executive (CAE) best enhances the organizational independence of the internal audit activity?

- A. CAE reviews and approves the annual audit plan.
- B. CAE meets privately with The CEO at least annually.
- C. CAE meets privately with The board at least annually.
- D. CAE reports to the board regarding audit staff performance evaluation and compensation.

**Answer: D**

#### NEW QUESTION 138

According to IIA guidance, which of the following must internal auditors consider to conform with the requirements for due professional care during a consulting engagement?

- \* 1. The cost of the engagement, as it pertains to audit time and expenses in relation to the potential benefits.
- \* 2. The needs and expectation of clients, including the nature, timing, and communication of engagement results.
- \* 3. The application of technology-based audit and other data analysis techniques, where appropriate.

\* 4. The relative complexity and extent of work needed to achieve the engagement's objectives.

- A. 1, 2, and 3
- B. 1, 2, and 4
- C. 1, 3, and 4
- D. 2, 3, and 4

**Answer: B**

#### **NEW QUESTION 142**

Which of the following is most likely to be considered a control weakness?

- A. Vendor invoice payment requests are accompanied by a purchase order and receiving report.
- B. Purchase orders are typed by the purchasing department using prenumbered forms.
- C. Buyers promptly update the official vendor listing as new supplier sources become known.
- D. Department managers initiate purchase requests that must be approved by the plant superintendent.

**Answer: C**

#### **NEW QUESTION 143**

A large trucking organization wants to reduce traffic accidents by improving its system of internal controls. Which of the following controls is correctly classified?

- \* 1. Review of speeding violations to identify repetitive locations and drivers is an example of a preventive control.
- \* 2. Defensive driver training is an example of a directive control.
- \* 3. The installation of tracking devices in delivery vehicles is an example of a corrective control.
- \* 4. Providing a vehicle driver handbook is an example of a detective control.

- A. 1 and 2.
- B. 1 and 4.
- C. 2 and 3.
- D. 3 and 4.

**Answer: A**

#### **NEW QUESTION 148**

The manager for an organization's accounts payable department resigned her post in that capacity. Three months later, she was recruited to the internal audit activity and has been working with the audit team for the last eight months. Which of the following assignments would the newly hired internal auditor be able to execute without any impairments to independence or objectivity?

- A. An operations audit of the accounts payable department.
- B. A consulting engagement related to a new accounts payable optimization initiative.
- C. A review of the employees' sports club finances, which are overseen by the chief audit executive.
- D. An assurance review for a sales program on which she previously provided consultation.

**Answer: C**

#### **NEW QUESTION 151**

Management would like to self-assess the overall effectiveness of the controls in place for its 200-person manufacturing department. Which of the following client-facilitated approaches is likely to be the most efficient way to accomplish this objective?

- A. Workshops.
- B. Surveys.
- C. Interviews.
- D. Observation.

**Answer: B**

#### **NEW QUESTION 155**

Non-statistical sampling does not require which of the following?

- A. The sample to be representative of the population.
- B. The sample to be selected haphazardly.
- C. A smaller sample size than if selected using statistical sampling.
- D. Projecting the results to the population.

**Answer: C**

#### **NEW QUESTION 159**

In the area of business acumen, which of the following competencies would be the sole responsibility of an internal audit staff member?

- A. Maintaining industry-specific knowledge appropriate to the organization.
- B. Assessing how IT contributes to organization objectives, risks, and relevance to audit.
- C. Maintaining technical aspects of accounting standards and reporting processes.
- D. Understanding regulatory and legal framework and assessing its relevance.

**Answer: D**

#### NEW QUESTION 161

While auditing an organization's credit approval process, an internal auditor learns that the organization has made a large loan to another auditor's relative. Which course of action should the auditor take?

- A. Proceed with the audit engagement, but do not include the relative's information.
- B. Have the chief audit executive and management determine whether the auditor should continue with the audit engagement.
- C. Disclose in the engagement final communication that the relative is a customer.
- D. Immediately withdraw from the audit engagement.

**Answer: B**

#### NEW QUESTION 163

An auditor identifies three errors in the sample of 25 entries selected for review (a 12 percent error rate). Based on this result, the auditor assumes that approximately 59 of the total population of 492 entries are incorrect. To reach this assumption, the auditor has used a technique known as which of the following?

- A. Variability tolerance.
- B. Ratio estimation.
- C. Stratification.
- D. Acceptance sampling.

**Answer: B**

#### NEW QUESTION 165

The internal audit activity is planning a procurement audit and needs to obtain a thorough understanding of the subcontracting process, which can involve multiple individuals in multiple countries.

Which of the following internal audit tools would be most effective to document the process and the key controls?

- A. Internal control checklist.
- B. Procurement employee survey.
- C. Cross-functional flow chart.
- D. Segregation of duties matrix.

**Answer: C**

#### NEW QUESTION 169

An auditor in charge was reviewing the workpapers submitted by a newly hired internal auditor. She noted that the new auditor's analytical work did not include any rating or quantification of the risk assessment results, and she returned the workpapers for correction. Which section of the workpapers will the new auditor need to modify?

- A. Condition section.
- B. Criteria section.
- C. Effect section.
- D. Cause section.

**Answer: C**

#### NEW QUESTION 173

An internal audit activity includes in its audit reports the assertion that its work is performed in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). A recent external quality assessment concluded that the internal audit activity had substantial deficiencies that impact its overall operations. According to IIA guidance, which of the following is the most appropriate action for issuing future audit reports?

- A. Refrain from indicating that the internal audit activity operates in conformance with the Standards until the chief audit executive confirms that the internal audit activity has addressed all areas of nonconformance and the audit committee has been notified.
- B. Refrain from indicating that the internal audit activity operates in conformance with the Standards until another external assessment confirms that the significant areas of nonconformance have been addressed.
- C. Indicate that the internal audit activity operates in partial conformance with the Standards, as the internal audit activity has a quality assurance and improvement program in place to address deficiencies and has met the requirement for conducting an external assessment.
- D. Update and reissue previous audit reports, removing the assertion that the internal audit activity operates in conformance with the Standards, and distribute them to all parties who received the original reports.

**Answer: B**

#### NEW QUESTION 175

What is the purpose of a secondary control?

- A. It replaces primary controls that are either ineffective or cannot fully mitigate a risk.
- B. It partially reduces the residual risk level when a key control does not operate effectively.
- C. It combines with other controls to help reduce significant risk exposures to an acceptable level.
- D. It helps to ensure the completeness and accuracy of automated controls in a system environment.

**Answer: C**

#### NEW QUESTION 178

Which of the following would not be considered part of preliminary survey of an engagement area?

- A. Interviews with individuals affected by the entity.
- B. Functional walk through test.

- C. Analytical reviews.
- D. Sampling scope.

**Answer:** D

**NEW QUESTION 181**

According to IIA guidance, which of the following should be formally documented in the internal audit charter?

- A. The internal audit activity's responsibility for imposing risk management processes.
- B. The internal audit activity's responsibility for the organization's governance framework.
- C. The nature of consulting services provided by the internal audit activity.
- D. The budgeting process for the internal audit activity.

**Answer:** C

**NEW QUESTION 186**

While preparing for an audit of senior management expenses, the chief audit executive (CAE) learns that management is unable to locate a number of original expense claims to support the related disbursements. She decides to defer the engagement until they can be located. Which of the following principles likely guided the CAE's decision?

- A. Objectivity.
- B. Proficiency.
- C. Independence.
- D. Due professional care.

**Answer:** D

**NEW QUESTION 187**

A credit card company detects potential errors in credit card numbers by checking whether all entered numbers contain the correct amount of digits. This is an example of which of the following IT controls?

- A. Logic test.
- B. Check digits.
- C. Data integrity tests.
- D. Balancing control activities.

**Answer:** A

**NEW QUESTION 189**

Which of the following is a requirement for an assurance engagement that may not be for a consulting engagement?

- A. The internal audit activity has to ensure team members' objectivity is not impaired.
- B. Auditors cannot participate in an assurance engagement of a function for which they previously performed a consulting engagement.
- C. The scope and objective of the engagement is agreed upon based on the engagement client's needs.
- D. The internal audit activity must ensure management actions have been implemented effectively or risk accepted.

**Answer:** B

**NEW QUESTION 191**

Which of the following control methods is effective in reducing the risk of purchasing-scheme fraud?

- \* 1. Periodically reviewing the vendor list for unusual vendors and addresses.
- \* 2. Segregating duties for amount purchasing, receiving, shipping, and accounting.
- \* 3. Validating sequential integrity of purchase orders.
- \* 4. Verifying the validity of invoices with post office box addresses.

- A. 1 and 2 only
- B. 3 and 4 only
- C. 1, 2, and 4 only
- D. 1, 2, 3, and 4

**Answer:** B

**NEW QUESTION 193**

An internal auditor is conducting an assessment of the organization's fraud prevention program using the COSO enterprise risk management framework. According to this framework, which of the following activities would fall under the control environment component for preventing fraud?

- \* 1. The organization uses an automated authority approval matrix to control payments.
- \* 2. The organization has a whistleblower hotline that is available to employees.
- \* 3. Annually, every manager completes a comprehensive fraud assessment of his or her department.
- \* 4. Annually, the organization reviews and communicates the code of expected behavior.

- A. 1 and 2.
- B. 1 and 3.
- C. 2 and 3.
- D. 2 and 4.

**Answer:** D

#### NEW QUESTION 197

According to IIA guidance, which of the following must the internal auditor consider to meet the requirements for due professional care?

- A. The training courses necessary to enhance the internal auditor's knowledge, skills, and other competencies.
- B. The appropriateness of assurance procedures necessary to ensure all significant risks will be identified.
- C. The use of innovative technology and data analysis techniques.
- D. The extent of work needed to achieve the engagement's objectives.

**Answer: D**

#### NEW QUESTION 202

According to The IIA's Code of Ethics, which of the following is true?

- A. Confidentiality requires that auditors disclose all material facts known to them.
- B. Integrity requires that auditors perform internal audit services in accordance with the Standards.
- C. Objectivity requires that auditors perform their work with honesty, diligence, and responsibility.
- D. Confidentiality requires that auditors be prudent in the use and protection of client information.

**Answer: D**

#### NEW QUESTION 206

A new internal audit activity is creating its first charter. According to IIA guidance, which of the following objectives would be appropriate for inclusion in the charter?

- A. Continuously monitor the organization's overall risk activities in relation to its risk appetite.
- B. Evaluate the adequacy and effectiveness of the organization's governance activities.
- C. Oversee the establishment and administration of an effective risk management program.
- D. Assist management in implementing recommended control improvements.

**Answer: C**

#### NEW QUESTION 207

A furniture manufacturer has installed a new fire sprinkler system at its central warehouse and canceled the existing fire insurance policy on that property. What change of risk response strategy does this course of action most likely reflect?

- A. From sharing to reduction.
- B. From acceptance to reduction.
- C. From sharing to avoidance.
- D. From acceptance to avoidance.

**Answer: A**

#### NEW QUESTION 208

Which of the following options is the most cost-effective and efficient way for internal auditors to keep current with the latest developments in the internal audit profession?

- A. Attending annual professional conferences and seminars.
- B. Participating in on-the-job training in various departments of the organization.
- C. Pursuing as many professional certifications as possible.
- D. Maintaining membership in The IIA and similar professional organizations and subscribing to relevant email updates or news feeds.

**Answer: D**

#### NEW QUESTION 210

According to IIA guidance, which of the following should be included in the internal audit charter?

- A. The minimum resources and competencies needed for the internal audit activity.
- B. Identification of the organizational units where engagements are to be performed.
- C. Organizational relationships and reporting lines.
- D. Assigned responsibilities for designing and implementing controls.

**Answer: C**

#### NEW QUESTION 211

Which of the following is a common type of payroll fraud?

- A. Unauthorized overtime.
- B. Fictitious employees.
- C. Unearned bonuses or commissions.
- D. Skimming.

**Answer: B**

#### NEW QUESTION 212

Management is developing and implementing a risk and control framework for use throughout the organization. Which of the following elements should be included



in the organization's control framework?

- \* 1. Appropriate levels of authority and responsibility.
- \* 2. Supervision of staff and appropriate review of work.
- \* 3. The seniority of management in the organization.
- \* 4. The ability to trace each transaction to an accountable and responsible individual.

- A. 1,2, and 3.
- B. 1.2, and 4.
- C. 1.3, and 4.
- D. 2, 3, and 4.

**Answer: D**

#### **NEW QUESTION 217**

Which of the following responsibilities would fall under the role of the chief audit executive, rather than internal audit staff or the audit manager?

- A. Manage and support a quality assurance and improvement program.
- B. Maintain industry-specific knowledge appropriate to the audit engagements
- C. Set clear performance standards for internal auditors and the internal audit activity.
- D. Apply problem-solving techniques for routine situations.

**Answer: C**

#### **NEW QUESTION 221**

Which of the following is the most common method of fraud detection?

- A. Analytical reviews of high-risk areas.
- B. Detective controls built into the daily processes.
- C. Unannounced audits or reviews of programs or departments.
- D. Tips received from employees or citizens.

**Answer: D**

#### **NEW QUESTION 222**

A chief audit executive (CAE) is selecting an internal audit team to perform an audit engagement that requires a high level of knowledge in the areas of finance, investment portfolio management, and taxation. If neither the CAE nor the existing internal audit staff possess the required knowledge, which of the following actions should the CAE take?

- A. Postpone the audit until the CAE hires internal audit staff with the required knowledge.
- B. Ask the audit committee to decide the course of action.
- C. Select the most experienced auditors in the department to perform the engagement.
- D. Hire consultants who possess the required knowledge to perform the engagement.

**Answer: D**

#### **NEW QUESTION 226**

What should the internal auditor's role be in assessing the organization's ethical climate?

- A. Perform ongoing surveys of the employees, customers, and partners of the organization to assess the organization's ethical climate
- B. Evaluate the effectiveness of the organization's strategies and
- C. processes for achieving the desired level of legal and ethical compliance.
- D. Maintain a whistleblower hotline to identify inappropriate or illegal activity within the organization.
- E. Perform background checks of potential new employees before they are hired by the organization.

**Answer: B**

#### **NEW QUESTION 228**

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