

IIA

Exam Questions IIA-CIA-Part1

Certified Internal Auditor - Part 1, The Internal Audit Activity's 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

According to IIA guidance, which of the following are considerations of due professional care when an internal auditor conducts a formal consulting engagement?

- * 1. The complexity of the work required.
- * 2. The needs and expectations of the client.
- * 3. The potential value of the engagement compared to the effort.
- * 4. Information regarding assumptions and procedures to be employed.

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

Answer: C

NEW QUESTION 3

Which of the following is most likely to enhance an internal auditor's objectivity?

- A. An auditor is appropriately able to communicate results.
- B. An auditor performs his work free from interference.
- C. An auditor is unrestricted in determination of scope.
- D. An auditor avoids conflicts of interest.

Answer: D

NEW QUESTION 4

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 5

A medical insurance provider uses an electronic claims-submission process and suspects that a number of physicians have submitted claims for treatments that were not performed. Which of the following control procedures would be most effective to detect this type of fraud?

- A. Require the physician to submit a signed statement attesting that the treatments had been performed.
- B. Send confirmations to the physicians, requesting them to verify the exact nature of the claims submitted to the insurance provider.
- C. Develop an integrated test facility and submit false claims to verify that the system is detecting such claims on a consistent basis.
- D. Use computer software to identify abnormal claims based on the insured's age and medical history.

Answer: D

NEW QUESTION 6

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 7

Which of the following is an example of a risk management avoidance response?

- A. Exiting a marketplace.
- B. Recalling a product.
- C. Obtaining product insurance.
- D. Outsourcing production.

Answer: A

NEW QUESTION 8

Which of the following is an example of collusion?

- A. An employee includes a faked receipt in his expense claim, and the claim is signed by the employee's manager.
- B. A vendor inflates the price of an item and remits a portion of the excess to the purchasing manager.
- C. A vendor sends a duplicate invoice with a new invoice number, and the accounts payable system fails to detect the duplication.
- D. An employee works with the IT manager to develop a program for identifying duplicate invoice payments.

Answer: B

NEW QUESTION 9

A headquarters-based internal auditor has been sent to a major overseas subsidiary to conduct various engagements. Initially, the internal auditor spends time to become familiar with local customs and organization's practices while embarking on the first engagement. Which of the following competencies does the internal auditor exercise?

- A. Communication.
- B. Persuasion and collaboration.
- C. Business acumen.
- D. Governance, risk, and control.

Answer: A

NEW QUESTION 10

An internal audit charter, approved by the board, restricts the internal audit activity to providing assurance only on the reliability of financial information and the effectiveness of internal accounting controls. Which of the following statements is true regarding the extent to which the external auditor may rely on the internal audit activity's work?

- A. The external auditor may make full use of the work, as the audit charter is very specific as to the work the internal audit activity may undertake.
- B. The external auditor may use the work, as the board has approved the charter, thus taking responsibility for any deficiencies.
- C. The external auditor must disregard the work, as the scope of the charter may introduce bias and result in a lack of due professional care.
- D. The external auditor may use the work with caution, due to the internal audit activity's scope and responsibility restrictions.

Answer: D

NEW QUESTION 10

Which of the following activities is most likely to require a fraud specialist to supplement the knowledge and skills of the internal audit activity?

- A. Planning an engagement of the area in which fraud is suspected.
- B. Employing audit tests to detect fraud.
- C. Interrogating a suspected fraudster.
- D. Completing a process review to improve controls to prevent fraud.

Answer: B

NEW QUESTION 15

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 20

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 25

According to COSO, which of the following is not considered one of the components of an organization's internal environment?

- A. Authority and responsibility to resolve issues.
- B. Framework to plan, execute and monitor activities.
- C. Integrated responses to multiple risks.
- D. Knowledge and skills needed to perform activities.

Answer: C

NEW QUESTION 26

Sometimes, internal audit staff may partner with operating managers to rank risks. Which of the following outcomes may be the most beneficial aspects of this strategy?

- * 1. Reappraising risks levels.
- * 2. Providing accurate information to management.
- * 3. Marketing the internal audit activity.
- * 4. Planning safeguards for assets in high-risk areas.

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

Answer: B

NEW QUESTION 29

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 32

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 35

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 38

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 39

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 41

Which of the following actions would be characterized as a preventive control to safeguard inventory from the risk of theft?

- * 1. Locking doors and physically securing inventory items.
- * 2. Independently observing the receipt of materials.
- * 3. Conducting monthly inventory counts.
- * 4. Requiring the use of employee ID badges at all times.

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

Answer: B

NEW QUESTION 45

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 47

Internal auditors must exercise due professional care by considering which of the following?

- * 1. Cost of assurance in relation to potential benefits.
- * 2. Adequacy and effectiveness of governance, risk management, and control processes.
- * 3. Management's competency level in the area being evaluated.
- * 4. Probability of significant errors, fraud, or noncompliance.

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

Answer: C

NEW QUESTION 51

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 54

A large sales organization maintains a system of internal control according to the COSO model and has updated its code of conduct. This change relates to which component of the COSO framework?

- A. Control activities.
- B. Information and communication.
- C. Commitment.
- D. Control environment.

Answer: D

NEW QUESTION 56

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 60

An organization decides to take no action on one of its financial risks because the cost of implementing the control outweighs the value of the asset being protected. Which of the following best describes this risk strategy?

- A. Risk avoidance.
- B. Risk-benefit analysis.
- C. Risk sharing.
- D. Risk acceptance.

Answer: D

NEW QUESTION 61

Which of the following scenarios best illustrates a rationalization as the root cause of potential fraud?

- A. Managers who have been with the organization for several decades become aware that newly hired, younger managers are being moved more quickly into senior positions.
- B. The controller at a nationwide manufacturing company recently opted to no longer require two-week mandatory vacations for accounting staff.
- C. Security cameras that monitor cash handling at the register are not functioning.
- D. The organization is slowly phasing out three mature products that produce the highest commissions for the sales staff.

Answer: B

NEW QUESTION 62

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 63

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 66

If appropriate safeguards exist, which of the following is considered a legitimate internal audit role within risk management at an organization?

- A. Imposing risk management processes.
- B. Providing consolidated reporting on risks.
- C. Taking accountability for risk management.
- D. Making decisions on risk responses.

Answer: B

NEW QUESTION 70

Which of the following are components of the ISO 31000 risk management process?

- * 1. Setting the context.
- * 2. Risk treatment.
- * 3. Risk avoidance.
- * 4. Communication.

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

D. 1,2, and 4.

Answer: A

NEW QUESTION 73

Which of the following is an activity that an internal auditor must not perform?

- A. Establish and provide continuing assurance on an anti-money laundering program for new hires.
- B. Survey employees for their understanding of anti-money laundering practices.
- C. Provide assurance for the effectiveness of anti-money laundering training.
- D. Assess the risk of being fined for ineffective anti-money laundering practices.

Answer: A

NEW QUESTION 74

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 78

Which of the following are generally recognized as essential elements of a corporate social responsibility program?

- A. Human rights and the environment.
- B. Organizational governance and financial reporting.
- C. Fair operating practices and government regulation.
- D. Consumer issues and return on investment.

Answer: A

NEW QUESTION 83

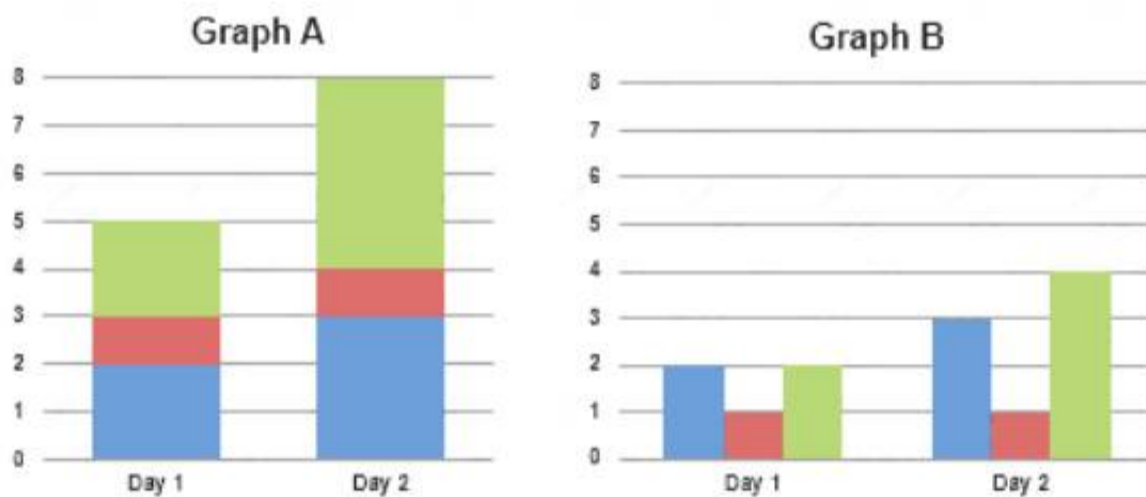
An auditor in charge was reviewing the workpapers submitted by a newly hired internal auditor. She noted that the new auditor's analytical work did not include any rating or quantification of the risk assessment results, and she returned the workpapers for correction. Which section of the workpapers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

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

Answer: C

NEW QUESTION 87

Click the Exhibit.



Internal auditors are asked to keep track of how many hours per day they spend planning the audit, conducting the engagement, and writing the audit report. The data for two days has been collected as follows:

- Day 1
- Day 2
- Planning the audit 2 hours
- 3 hours
- Conducting the engagement 1 hour
- 1 hour
- Writing the audit report 2 hours
- 4 hours

Which of the following graphs depicts the data accurately?

- A. Graph A only
- B. Graph B only
- C. Both A and B.

D. Neither A nor B.

Answer: C

NEW QUESTION 88

When auditing the award of a major contract, which of the following should an internal auditor suspect as a red flag for a bidding fraud scheme?

- * 1. Subsequent change orders increase requirements for low-bid items.
- * 2. Material contract requirements are different on the actual contract than on the request for bids.
- * 3. A high percentage of employees are charged to indirect accounts.
- * 4. Losing bidders are hired as subcontractors.

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

Answer: D

NEW QUESTION 90

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 94

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 95

The chief audit executive (CAE) has assigned an internal auditor to an upcoming engagement. Which of the following requirements would most likely indicate that the internal auditor was assigned to an assurance engagement?

- A. The assigned internal auditor must determine the objectives, scope, and techniques of the engagement.
- B. The CAE must personally obtain the needed skills, knowledge, or other competencies if the internal auditor does not have them.
- C. The assigned internal auditor must not assume management responsibilities while performing the engagement.
- D. The assigned internal auditor must maintain objectivity while performing the engagement.

Answer: A

NEW QUESTION 96

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 101

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 105

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 HA and similar professional organizations and subscribing to relevant email updates or news feeds.

Answer: D

NEW QUESTION 110

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 112

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 113

Which of the following factors have the greatest influence on the independence of the internal audit activity?

- A. Quality assessments and cultural biases of the internal audit activity.
- B. Rotational assignments and familiarity of the internal audit activity.
- C. Employee incentives and self review of the internal audit activity.
- D. Organizational positioning and scope control of the internal audit activity.

Answer: D

NEW QUESTION 116

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