

IIA-CIA-Part1 Dumps

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

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NEW QUESTION 1

Which of the following documents is most appropriate in promoting the objectivity of the internal audit activity?

- A. Usage of IT system policy.
- B. Risk management framework.
- C. Acceptance of gifts policy.
- D. Personal responsibility policy.

Answer: C

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

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 4

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 5

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 6

Reviewing prior audit reports and supporting workpapers before an engagement starts enables an internal auditor to do which of the following?

- * 1. To understand better the activity and processes that will be audited.
- * 2. To identify the audit procedures that will be used during the engagement.
- * 3. To ensure that matters of greatest vulnerability will be addressed.
- * 4. To use the information obtained as evidence in the current engagement.

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

Answer: B

NEW QUESTION 7

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 8

A multinational organization has asked the internal audit activity to assist in setting up the organization's risk management system. The chief audit executive (CAE) agrees to take on the engagement as a consultant. Which of the following tasks is appropriate for the CAE to undertake?

- A. Coordinate and facilitate risk workshops for management to attend.
- B. Establish the degree of risk appetite for management to accept.
- C. Set risk indicators and mitigation plans for management to implement.
- D. Determine the number of significant risks for management to report to the board.

Answer: D

NEW QUESTION 9

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 10

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 10

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 14

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 15

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

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

Answer: D

NEW QUESTION 17

Which of the following types of fraud includes embezzlement?

- A. Fraudulent statements.
- B. Bribery.

- C. Misappropriation of assets.
- D. Corruption.

Answer: C

NEW QUESTION 18

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 20

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 22

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 25

When developing the organization's first risk universe, which of the following would the chief audit executive be least likely to consider?

- A. The amount of risk that an organization is willing to seek or accept.
- B. The extent and degree of interdependency for identified key risks.
- C. The boundaries established to manage the amount of risk taken.
- D. The exposure to risks following management's risk responses.

Answer: D

NEW QUESTION 28

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 33

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 37

An IT contractor applied for an internal audit position at a bank. The contractor worked for the bank's IT security manager two years ago. If the audit manager

interviewed the contractor and wants to extend a job offer, which of the following actions should the chief audit executive pursue?

- A. Allow the audit manager to hire the contractor and state that the individual is free to perform IT audits, including security.
- B. Not allow the audit manager to hire the contractor, as it would be a conflict of interest.
- C. Allow the audit manager to hire the contractor, but state that the individual is not allowed to work on IT security audits for one year.
- D. Not allow the audit manager to hire the contractor and ask the individual to apply again in one year.

Answer: A

NEW QUESTION 41

In which of the following functions would fraud be most likely to occur?

- A. Maintaining custody of inventory records.
- B. Collecting payments on accounts.
- C. Approving changes to employee records.
- D. Preparing customer statements.

Answer: B

NEW QUESTION 44

Given the highly technical and legal nature of privacy issues, which of the following statements best describes the internal audit activity's responsibility with regard to assessing an organization's privacy framework?

- A. If an organization does not have a mature privacy framework, the internal audit activity should assist in developing and implementing an appropriate privacy framework.
- B. Because the audit committee is ultimately responsible for ensuring that appropriate control processes are in place to mitigate risks associated with personal information, the internal audit activity is
- C. required to conduct privacy assessments.
- D. The internal audit activity may delegate to nonaudit IT specialists the responsibility of determining whether personal information has been secured adequately and data protection controls are sufficient.
- E. The internal audit activity should have appropriate knowledge and competence to conduct an asses.....framework.

Answer: D

NEW QUESTION 49

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 51

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 53

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 58

Which of the following statements is true regarding assurance services provided to clients outside of the organization?

- A. Assurance services for outside clients are not covered under the internal audit charter.
- B. Assurance services for outside clients must be approved on a case-by-case basis by the board of directors.
- C. The nature of assurance services for outside clients should be defined in the internal audit charter.
- D. The nature of assurance services for outside clients is the same as for internal clients.

Answer: C

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 64

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 69

According to the COSO internal control framework, which of the following best describes the use of continuous auditing programs by the internal audit activity?

- A. Control environment.
- B. Control activities.
- C. Risk assessment.
- D. Monitoring.

Answer: D

NEW QUESTION 73

An internal auditor who is carrying out an engagement to review controls related to corporate tax reporting must possess which of the following competencies?

- * 1. Proficiency in analyzing key IT risks and controls.
- * 2. The ability to recognize significant deviations from good business practices.
- * 3. Knowledge of key indicators of fraud in tax reporting.
- * 4. The ability to recognize the existence of problems related to tax accounting.

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

Answer: B

NEW QUESTION 76

An internal auditor wants to sample data to test an audit theory in a cost-effective way. Which of the following sampling strategies should she use?

- A. Statistical sampling only
- B. Nonstatistical sampling only
- C. A combination of both statistical and nonstatistical sampling.
- D. Neither approach to testing the audit theory would be cost effective.

Answer: B

NEW QUESTION 80

A government agency maintains a system of internal control, according to the COSO model, and has made a change to its employee performance reviews and rewards program. This change relates to which of the following components of COSO's internal control framework?

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

Answer: A

NEW QUESTION 85

Which of the following is a weakness of observation as audit evidence?

- A. It cannot be used to test the completeness assertion.

- B. It cannot be used to test the existence assertion.
- C. It cannot be used to test the occurrence assertion.
- D. It cannot be relied upon because the evidence is not persuasive.

Answer: A

NEW QUESTION 88

Forty-five percent of an organization's customer payments are submitted online. Eight percent of online payments are rejected. Executive management decides to outsource its online payment services to a contractor that will assume 75 percent of the total value of rejected payments. The organization estimates \$1.25 million customer payments due during the contract period.

Which of the following represents the organization's residual risk for online customer payments due?

- A. \$11, 250
- B. \$25, 000
- C. \$33, 750
- D. \$45, 000

Answer: A

NEW QUESTION 91

The chief audit executive (CAE) is planning to conduct an internal assessment of the internal audit activity (IAA). Part of this assessment will include benchmarking. According to IIA guidance, which of the following qualitative metrics would be appropriate for the CAE to use?

- * 1. Average client customer satisfaction score for a given year.
- * 2. Client survey comments on how to improve the IAA.
- * 3. Auditor interviews once an audit has been completed.
- * 4. Percentage of audits completed within 90 days.

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

Answer: C

NEW QUESTION 95

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 97

What is the primary benefit to the internal audit activity for undertaking an internal quality assessment?

- A. To help the internal audit activity complete its annual assurance plan.
- B. To identify inefficiencies within the internal audit team.
- C. To help improve the overall quality of the internal audit activity's work.
- D. To identify key risks and areas of concern within the organization.

Answer: C

NEW QUESTION 99

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 103

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 106

According to IIA guidance, which of the following statements is true regarding periodic internal assessments of the internal audit activity?

- A. Internal assessments are conducted to benchmark the internal audit activity's performance against industry best practices.
- B. Internal assessments must be performed at least once every five years by a qualified assessor.
- C. An internal auditor may perform a peer review of a colleague's workpapers, as long as the auditor wasn't involved in the audit under review.
- D. Follow-up to ensure appropriate improvements are implemented is a recommended, but not mandatory, element of internal assessments.

Answer: C

NEW QUESTION 108

Faced with a complex, highly technical construction audit engagement, the chief audit executive (CAE) considered complementing the current internal audit resources by engaging the services of a civil engineer.

Which of the following should the CAE consider in determining whether the engineer possesses the necessary skills to perform the engagement?

- * 1. Professional certification, license, or other recognition of the engineer's competence in the relevant discipline.
- * 2. Experience of the engineer in the type of work being considered.
- * 3. Compensation or other incentives that the engineer may receive.
- * 4. The extent of other ongoing services that the engineer may be performing for the organization.

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

Answer: D

NEW QUESTION 110

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 115

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 processes for achieving the desired level of legal and ethical compliance.
- C. Maintain a whistleblower hotline to identify inappropriate or illegal activity within the organization.
- D. Perform background checks of potential new employees before they are hired by the organization.
- E. Perform background checks of potential new employees before they are hired by the organization.

Answer: B

NEW QUESTION 119

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