



IIA

Exam Questions IIA-CIA-Part1

Certified Internal Auditor - Part 1, The Internal Audit Activity's Role in Governance, Risk, and Control

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NEW QUESTION 1

According to IIA guidance, which of the following best describes internal auditors' responsibility regarding fraud?

- A. Internal auditors should take a leading role in investigating all fraud-related cases.
- B. Internal auditors must have sufficient knowledge to evaluate the risk of fraud.
- C. Internal auditors should report all fraud cases to law enforcement agents, in accordance with the Code of Ethics.
- D. Internal auditors are responsible for ensuring that fraud does not occur.

Answer: B

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

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 4

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 5

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 6

Which of the following statements is true with regard to conducting an effective quality assurance and improvement program?

- A. The IIA's Quality Assessment Manual for the Internal Audit Activity must be used as the basis for periodic assessments.
- B. Members of the internal audit activity are not permitted to perform quality assessments, as they would not be independent.
- C. Periodic internal assessments provide the most current and independent recommendations for improvement.
- D. The conclusions of periodic internal assessments are intended to assist in achieving conformity to the Standards.

Answer: D

NEW QUESTION 7

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 8

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

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

Answer: C

NEW QUESTION 9

According to IIA guidance, which of the following statements describes one of the similarities between assurance and consulting services?

- A. When planning assurance and consulting engagements, internal auditors must consider the strategies and objectives of the activity being reviewed.
- B. Internal auditors determine the engagement objectives, scope, and work program for both assurance and consulting services.
- C. Internal auditors must not provide assurance or consulting services for an activity for which they had responsibility within the previous year.
- D. Both assurance and consulting services generally involve the internal auditor, the area under review, senior management, and the board.

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 is not an objective of internal control?

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

Answer: D

NEW QUESTION 13

Which of the following types of fraud includes embezzlement?

- A. Fraudulent statements.
- B. Bribery.
- C. Misappropriation of assets.
- D. Corruption.

Answer: C

NEW QUESTION 14

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 17

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 22

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 25

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 28

Which of the following statements describes impairment to the internal auditor's objectivity?

- A. An internal auditor reviews a purchasing agent's contract drafts prior to their execution.
- B. An internal auditor reduces the scope of an audit engagement due to budget restrictions.
- C. An internal auditor receives a promotional gift that is available to the organization's employees.
- D. An internal auditor performs an assessment of the operations for which he was recently responsible.

Answer: D

NEW QUESTION 29

A new director was hired to lead the internal audit activity at a small start-up company. Which of the following assignments would impair the director's independence?

- A. Preparing the financial statements for the company's defined contribution plan.
- B. Performing a pre-implementation review of the company's payroll application.
- C. Providing the COBIT framework as a possible IT management tool.
- D. Reviewing the company's policy for foreign currency translation adjustments for compliance with accounting standards.

Answer: A

NEW QUESTION 30

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 33

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 37

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 38

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 41

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 45

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 48

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 50

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 55

An internal audit charter should do which of the following?

- A. Outline the schedule of future audits.
- B. Define the scope of internal audit activities.
- C. Establish the size of the internal audit activity.
- D. Communicate the internal audit activity's goals.

Answer: B

NEW QUESTION 57

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 60

According to IIA guidance, which of the following is an area in which the internal auditor should be proficient?

- A. Management principles.
- B. Computerized information systems.
- C. Internal audit standards, procedures, and techniques.
- D. Fundamentals of accounting, economics, and finance.

Answer: C

NEW QUESTION 65

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 67

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 70

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 71

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 75

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 77

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 81

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 84

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 ongoing surveys of the employees, customers, and partners of the organization to assess the organization's ethical climate.

Answer: B

NEW QUESTION 89

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