IIA.IIA-CIA-Part1.v2026-09-25.q362

Exam Code:	IIA-CIA-Part1
Exam Name:	Internal Audit Fundamentals
Certification Provider:	IIA
Free Question Number:	362
Version:	v2026-09-25
# of views:	213
# of Questions views:	3620
https://www.freepdfdumps.com/IIA.IIA-CIA-Part1.v2026-09-25.q362.html	

NEW QUESTION: 1

During an audit of the purchasing department, an internal auditor identifies significant issues that could affect the organization ' s financial reporting. Management disagrees with the audit results. Which of the following responses best demonstrates the internal auditor has the necessary competencies related to professional Judgment and conflict management?

A. The auditor maintains his convictions and continues to proceed with the review process despite management ' s concerns related to the results.

B. The auditor bypasses management, discusses the results with the board, and seeks the board ' s input on how best to address the recommendations.

C. The auditor consults with other members of the audit team, and together they develop alternative recommendations that management may be more likely to accept.

D. The auditor meets with management to discuss the results and obtain a better understanding of the specific concerns.

Answer: (SHOW ANSWER)

Demonstrating competencies in professional judgment and conflict management involves engaging in dialogue to understand differing viewpoints and resolve disagreements. By meeting with management to discuss their concerns, the auditor shows a commitment to understanding the issues and working collaboratively to address any misunderstandings or disagreements, which is a critical aspect of effective audit practice.

Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing and Practice Advisories on Conflict Resolution

NEW QUESTION: 2

Prior to commencing a financial compliance engagement, the engagement supervisor reads the business plan for the finance department and meets informally with the director to learn more about any key issues. Which of the following competencies is the engagement supervisor demonstrating?

A. The ability to inspire trust

B. The ability to communicate effectively

C. The ability to display courage

D. The ability to understand the needs of stakeholders

Answer: (SHOW ANSWER)

The engagement supervisor is demonstrating the ability to understand the needs of stakeholders. By reading the business plan and meeting informally with the finance director, the supervisor is actively gathering information about the department's goals, challenges, and issues, which is crucial for aligning the audit objectives with the stakeholders ' expectations and ensuring the engagement adds value.

Institute of Internal Auditors (IIA) - Core Competencies for Today's Internal Auditor

NEW QUESTION: 3

Which of the following is most likely to impair the internal audit activity ' s independence?

A. Undertaking audit work in an area where internal auditors lack the necessary skills.

B. Establishing an internal audit activity without documented policies and procedures.

C. Assigning compliance responsibilities to the chief audit executive.

D. Concluding that an internal control is effective without first obtaining evidence

Answer: C (LEAVE A REPLY)

Assigning compliance responsibilities to the chief audit executive (CAE) can impair the internal audit activity

' s independence. When the CAE has operational responsibilities, such as compliance, it may lead to a conflict of interest or self-review, both of which can compromise the independence required to objectively assess and report on the organization's risks and controls.References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, particularly those concerning independence and objectivity.

NEW QUESTION: 4

In which of the following situations would the organizational independence of an internal audit activity be impaired?

A. The chief audit executive reports administratively to the CEO.

B. Scope limitations are imposed on internal audits.

C. The internal audit activity provides assurance services for an activity for which the engagement supervisor had responsibility within the previous year.

D. The compensation committee of the board approves the remuneration of the chief audit executive.

Answer: B (LEAVE A REPLY)

The organizational independence of an internal audit activity is considered impaired if there are scope limitations imposed on internal audits. Such limitations prevent the internal audit activity from fully evaluating and reporting on risk management, control, or governance processes within the organization, thus hindering the ability to perform work freely and objectively. Administrative reporting lines (such as to the CEO), the process of compensation approval, or assurance services provided for previous responsibilities do not inherently impair independence unless they lead to restrictions on audit scope or influence over audit findings.
IIA Standards and guidance on independence and objectivity.

NEW QUESTION: 5
Which of the following offers the feast 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: (SHOW ANSWER)
The proper drafting and approval of the internal audit charter by the appropriate parties (e.g., the board or audit committee) offer the clearest evidence that the internal audit activity has achieved organizational independence. The internal audit charter formally defines the purpose, authority, and responsibility of the internal audit activity, including its independence from management and its direct reporting line to the board or audit committee. This document is foundational for establishing and maintaining the independence of the internal audit function.
IIA Standard 1000: Purpose, Authority, and Responsibility
IIA Standard 1110: Organizational Independence

NEW QUESTION: 6
During an audit engagement, a junior staff internal auditor begins to suspect a fraud may have occurred involving a friend of the engagement supervisor. He reports his concerns to the engagement supervisor, who disagrees with his suspicions and directs him to continue with the engagement as planned. Given the circumstance, what is the most appropriate action for the junior auditor to take?
A. Document in the workpapers and expand testing.
B. Continue with the engagement as planned, per the more senior auditor.
C. Report the suspected fraud to law enforcement officials and seek financial restitution.
D. Escalate the concern to the chief audit executive.
Answer: D (LEAVE A REPLY)

In cases where a junior auditor suspects fraud involving an engagement supervisor ' s associate and the supervisor dismisses these concerns, the most appropriate and ethical action is to escalate the issue to a higher authority within the audit function, such as the chief audit executive (CAE). This ensures that the concern is objectively evaluated and that the auditor adheres to professional standards of independence and objectivity.
Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 7
Why is it imperative for the chief audit executive to track and develop the educational qualifications of internal audit staff?
A. To accurately conduct performance appraisals
B. To ensure that staff complete required continuing professional education credits annually.
C. To ensure that the resources needed to complete the audit plan are available.
D. To satisfy the audit committee requirements.
Answer: (SHOW ANSWER)
It is imperative for the chief audit executive to track and develop the educational qualifications of internal audit staff to ensure that the resources needed to complete the audit plan are available. By maintaining a well- qualified audit team, the CAE ensures that the internal audit activity is equipped to address the range of risks and controls that the audit plan encompasses, thereby fulfilling its responsibilities effectively.
IIA guidance on human resources management within internal audit, which emphasizes the importance of continuing education and staff development to meet the organization's audit needs.

NEW QUESTION: 8
Which of the following should play a leading role in overseeing ihe ethical atmosphere of an organization?
A. Internal audit activity.
B. Operating management.
C. Senior management.
D. Board of directors.
Answer: D (LEAVE A REPLY)
The board of directors plays a leading role in overseeing the ethical atmosphere of an organization. They are responsible for establishing and promoting the organization's values and ethical standards. The board sets the tone at the top and ensures that senior management implements policies and procedures that support ethical behavior throughout the organization. This oversight includes monitoring compliance with ethical standards and addressing any ethical issues that arise.

The IIA's International Professional Practices Framework (IPPF) - Practice Guide on Ethical Leadership.
COSO's Enterprise Risk Management - Integrating with Strategy and Performance.

NEW QUESTION: 9
A chief audit executive added more money to the IT training budget to ensure the organization ' s internal auditors were able to perform data analytics while performing an audit. Which core competency is being addressed?
A. Data analytics
B. IT fraud detection.
C. Continuing professional development
D. Due professional care.
Answer: C (LEAVE A REPLY)
By adding more money to the IT training budget to ensure that internal auditors can perform data analytics, the chief audit executive is addressing the core competency of continuing professional development. Ensuring that auditors have the necessary skills and knowledge to perform advanced audit techniques, such as data analytics, is a critical aspect of their ongoing professional development. This investment helps auditors stay current with emerging technologies and methodologies, enhancing their overall effectiveness and the value they provide to the organization.
The IIA Standards: Standard 1230 - Continuing Professional Development: " Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. " IIA Practice Guide: " Developing an Internal Audit Training Program " : Discusses the importance of ongoing training and development to maintain auditor proficiency and effectiveness.

NEW QUESTION: 10
An organization is in the process of hiring a new chief audit executive (CAE). Which of the following can the potential candidates expect to be a part of the recruiting process or in place when the CAE is hired?
A. There are checks to determine the existence of any potential conflict of interest.
B. The CAE reports functionally to the highest level of management, the CEO.
C. The CAE's compensation depends on the performance of the organizational departments.
D. Hiring and termination of the CAE is dependent on the decision of senior executives.
Answer: A (LEAVE A REPLY)
IIA guidance emphasizes conflict of interest checks in the hiring process for CAEs to ensure the integrity and independence of the internal audit function. Functional reporting to the board or similar oversight is also a standard recommendation but not a hiring precondition.

NEW QUESTION: 11

To meet the resource requirements of this year's internal audit plan, the chief audit executive (CAE) has recruited additional staff auditors, including an employee who resigned as a senior supervisor from the accounts payable department two months ago. There is a scheduled accounts payable review that the CAE wants to start within the next five months. Which approach should the CAE take, knowing the expertise of his new recruit in the area intended to be audited?

A. Have the new internal auditor's previous boss be excused from the area during fieldwork.

B. Have the new internal auditor be responsible for the planning of the audit as well as the review of the audit fieldwork.

C. Have the new internal auditor assigned to other responsibilities and not work on the accounts payable audit engagement.

D. Have the new internal auditor assist with conducting the fieldwork, but ensure that her work is reviewed by the CAE.

Answer: C (LEAVE A REPLY)

To maintain objectivity and independence, the new internal auditor, who was recently a senior supervisor in the accounts payable department, should not be assigned to an audit engagement in the same area. The IIA standards emphasize the need to avoid actual or perceived conflicts of interest, especially when auditors have recently transferred from or held responsibilities in the areas they audit.

NEW QUESTION: 12

Which of the following best describes the type of organizational culture known as adaptability culture'?

A. A results-oriented culture that values competitiveness and personal initiative

B. A culture that emerges in quick-response and high-risk decision-making environments

C. A culture that is characterized by low involvement with environmental and health issues

D. A culture that places high value on participation and meeting the needs of employees.

Answer: (SHOW ANSWER)

The 'adaptability culture' within an organization is best described as one that emerges in environments requiring quick response and high-risk decision-making. This type of culture is agile, allowing an organization to adapt rapidly to new challenges, market demands, or technological changes.

Robert E. Quinn and Kim S. Cameron's "Diagnosing and Changing Organizational Culture", which outlines different types of organizational cultures and their characteristics.

NEW QUESTION: 13

Which of the following written documents typically offers the best evidence that internal auditors exercise due professional care in conformance with the Standards?

A. Internal audit charter.

B. Workpaper.
C. Audit report.
D. Code of ethics.
Answer: B (LEAVE A REPLY)
Workpapers typically offer the best evidence that internal auditors exercise due professional care in conformance with the Standards. Workpapers document the planning, execution, and results of audit engagements, providing detailed evidence of the auditor's work and adherence to professional standards.
The IIA's standards on documentation and due professional care, which emphasize the importance of maintaining detailed workpapers.

NEW QUESTION: 14
Which of the following statements is true regarding the role of the internal audit activity in the organization's risk management process?
A. The internal audit activity should not be responsible for developing the organization's risk management framework, even with appropriate safeguards.
B. The internal audit activity is typically responsible for alerting operational management to emerging risks and changes in regulatory scenarios
C. The internal audit activity may coach management on risk response scenarios if safeguards have been implemented.
D. The internal audit activity should avoid giving assurance regarding the accuracy of risk evaluations if safeguards have not been implemented.
Answer: C (LEAVE A REPLY)
The correct statement regarding the role of the internal audit activity in the organization's risk management process is that the internal audit activity may coach management on risk response scenarios if appropriate safeguards have been implemented. This coaching role helps management understand and address risks effectively while maintaining the audit function's objectivity and independence.
The IIA's guidance on the role of internal auditing in risk management and the standards regarding objectivity and consulting.

NEW QUESTION: 15
Which of the following actions by an organization's board would potentially impair the internal audit activity's independence?
A. Approving the appointment and compensation package of the chief audit executive (CAE).
B. Requiring that reports from the CAE are reviewed and approved first by senior management.
C. Approving the internal audit activity's resources and audit plans annually.
D. Asking senior management and the CAE about the scope of the annual internal audit plan.

Answer: (SHOW ANSWER)
Requiring that reports from the CAE are reviewed and approved first by senior management would potentially impair the internal audit activity's independence, because it would create a reporting threat that could undermine the CAE's ability to communicate the results of internal audit engagements objectively and directly to the board or the audit committee.

NEW QUESTION: 16
During a quality assessment of the internal audit activity an auditor is assessing whether the independence of the internal audit activity is at risk of being compromised. According to IIA guidance, which of the following would provide the best source of evidence for such an assessment?
A. An organizational chart showing the reporting line of the chief audit executive to the CEO
B. The internal audit charter as endorsed by the organization's governing body
C. A review of the audit opinions issued from a sample of recent audit engagements
D. An assessment of the scope of the audit work performed by the internal au<M activity
Answer: B (LEAVE A REPLY)
According to IIA guidance, the internal audit charter is a critical document that defines the purpose, authority, and responsibility of the internal audit activity. It is endorsed by the organization's governing body and establishes the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
To assess whether the independence of the internal audit activity is at risk of being compromised, reviewing the internal audit charter provides the best source of evidence. This document outlines the independence and objectivity of the internal audit function and specifies the reporting structure to senior management and the board, which are essential elements in safeguarding independence.
IIA Standard 1000: Purpose, Authority, and Responsibility
IIA Practice Guide: Independence and Objectivity

NEW QUESTION: 17

The chief audit executive (CAE) has decided to outsource an audit of the organization's cloud governance in the annual audit plan. Why would the CAE outsource this audit?

A. Lack of internal audit staff proficiency.

B. Lack of audit planning.

C. Lack of internal assessments.

D. Lack of due professional care.

Answer: A (LEAVE A REPLY)

The chief audit executive (CAE) may decide to outsource an audit of the organization's cloud governance due to a lack of proficiency within the internal audit staff. Cloud governance involves specialized knowledge and skills related to cloud technologies, security, compliance, and risk management. If the internal audit team lacks the necessary expertise to perform a comprehensive and effective audit in this area, outsourcing to external experts ensures that the audit is conducted with the required depth and quality.

IIA Standard 1210: Proficiency

IIA Standard 2070: External Service Provider and Organizational Responsibility for Internal Auditing

NEW QUESTION: 18

Which of the following statements best describes a functional difference between external auditors and internal auditors?

A. Internal auditors evaluate past achievements to understand whether controls are operating effectively, and external auditors focus on the accuracy of financial reporting.

B. Internal auditors provide assurance about the sufficiency of controls to manage risks. Including risks of failure to achieve future goals, and external auditors evaluate the accuracy and understandability of financial reporting.

C. internal auditors are always employed by the organization, rather than outsourced, and external auditors are never employed by the organization but contracted independently.

D. Internal auditors are most directly concerned with the detection of fraud, while external auditors are most directly concerned with the prevention of fraud.

Answer: B (LEAVE A REPLY)

Internal auditors focus on assessing the adequacy of controls to manage various risks within the organization, including operational and strategic risks. External auditors primarily focus on the accuracy and reliability of the organization's financial statements and compliance with relevant accounting standards. References:

* IIA Standard 2100: Nature of Work.

* IIA Practice Guide: Coordination and Reliance: Developing an Assurance Map.

* External Audit Standards (e.g., Generally Accepted Auditing Standards - GAAS).

NEW QUESTION: 19

In order for an internal auditor to assess the opportunity for fraud to occur in an organization, which of the following does the auditor first need to understand?

A. Fraud prevention.
B. Fraud detection.
C. Corporate culture.
D. Forensic analysis techniques.
Answer: C (LEAVE A REPLY)
Understanding the corporate culture is fundamental for an internal auditor assessing the opportunity for fraud within an organization. Corporate culture influences how rules, norms, and behaviors are developed and enforced. It provides context to the risk environment and the potential for fraud to occur, facilitating more targeted and effective audit strategies focused on fraud risks.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 20
The chief audit executive (CAE) has hired a new internal auditor who was immediately assigned to a procurement function audit. Because the new auditor's name is similar to that of the procurement manager, some staff members think the two are related, although they are not. Which of the following actions is most appropriate for the CAE to take?
A. Take no action, as there is no impairment to independence.
B. Remove the new internal auditor from the engagement team.
C. Discuss the matter with the appropriate personnel to alleviate concerns.
D. Closely supervise the new auditor and carefully review his work.
Answer: C (LEAVE A REPLY)
The most appropriate action for the Chief Audit Executive (CAE) to take in the scenario where staff might mistakenly believe the new internal auditor is related to the procurement manager is to discuss the matter with the appropriate personnel to alleviate concerns. This action ensures that concerns about independence and objectivity are addressed transparently, maintaining trust in the internal audit function.
The IIA's Code of Ethics and standards on objectivity, which stress the importance of maintaining and demonstrating impartiality in all audit engagements.

NEW QUESTION: 21
Nine months ago, an employee who was responsible for collections in the accounts receivables department joined the internal audit team. There is an accounts receivables assurance audit scheduled as part of this year's approved audit plan, which will include a review of the collections unit. With the knowledge and experience of this individual in the area, which of the following is the best approach for the chief audit executive (CAE) to take?
A. Have the auditor formerly with the collections unit assist with planning and documenting the audit field work.
B. Have the auditor formerly with the collections unit not participate on the audit team.

C. Have the auditor formerly with the collections unit conduct the fieldwork and ensure it is reviewed by the CAE.

D. Have the auditor formerly with the collections unit review all fieldwork done to ensure that there was adequate coverage.

Answer: B (LEAVE A REPLY)

According to IIA standards, assigning an auditor to review an area where they previously had responsibilities may compromise objectivity. The best approach is for the auditor to abstain from participation in the audit of the collections unit to avoid any perceived conflicts.

NEW QUESTION: 22

Which of the following is an advantage of using nongovernmental organization (NGO) members on an assurance team when auditing corporate social responsibility?

A. Typically less time is needed to train the NGO members on the audit process.

B. NGO members are often more unbiased and objective

C. A report with a positive statement from an NGO member is deemed to be more credible. As opposed to auditors.

D. NGO members are licensed to audit corporate social responsibility.

Answer: C (LEAVE A REPLY)

Including NGO members on an assurance team when auditing corporate social responsibility adds credibility to the audit findings, particularly when these findings are positive. NGOs are generally perceived as independent and dedicated to public interest, which can enhance the perceived impartiality and trustworthiness of the audit results in matters related to social responsibility.

Institute of Internal Auditors (IIA) - Advisory on Assurance Engagement for Corporate Social Responsibility

NEW QUESTION: 23

In which scenario might it be considered problematic for the chief audit executive (CAE) to provide assurance services over the payroll function?

A. The CAE previously undertook a consulting assignment in that area to improve processes,

B. A couple of years ago, the CAE performed accounting functions for the payroll department.

C. Prior to becoming the CAE, the CAE was the payroll manager.

D. The assurance review was initiated following issues identified during a consulting assignment requested by management.

Answer: (SHOW ANSWER)

It would be considered problematic for the chief audit executive (CAE) to provide assurance services over the payroll function if, prior to becoming the CAE, the CAE was the payroll manager. This scenario poses a conflict of interest and impacts the objectivity

required for assurance services, as the CAE might have inherent biases or a conflict due to previous roles and responsibilities within the payroll function.
The Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 24
The board of directors of a global organization has found an increased number of reported cases of unethical practices since last year. To assist the board in gaining a better understanding of the degree of ethics awareness within the organization, which of the following actions should be undertaken?
A. Request the internal audit activity to perform an ethics-related assurance engagement.
B. Offer in-house ethics-related training seminars for employees to attend.
C. Reaffirm the importance of the organization's code of ethics to all employees.
D. Conduct an organizationwide employee survey on ethical practices
Answer: A (LEAVE A REPLY)
To assist the board in gaining a better understanding of the degree of ethics awareness within the organization, the most appropriate action would be to request the internal audit activity to perform an ethics-related assurance engagement. This type of engagement would directly assess the organization's ethical culture and practices, providing the board with a detailed and objective evaluation of ethics awareness and related issues throughout the organization.
IIA's guidance on the role of internal auditing in organizational ethics.

NEW QUESTION: 25
Whch ol the following would show appropriate disclosure of nonconformance with the Standards?
A. The chief audit executive (CAE) documented in the personal file a critical conflict of interest involving an internal audit on a upcoming contracting engagement.
B. The CAE discussed with the board an issue regarding the internal activity performing an IT engagement without proper skills and knowledge.
C. The CAE met with the peer review team to discuss an internal auditor's failure to meet the annual requirements for continuing professional education.
D. The CAE revealed to revealed to operational manager that he failed to appropriately consider risks while he was developing the audit plan.
Answer: B (LEAVE A REPLY)
Appropriate disclosure of nonconformance with the Standards is demonstrated when the chief audit executive (CAE) discusses with the board issues regarding the internal audit activity performing an IT engagement without proper skills and knowledge. This direct communication with the board about significant issues affecting the internal audit function's ability to conform to professional standards is crucial for ensuring accountability and transparency.

IIA Standards on communication and disclosure of nonconformance.

NEW QUESTION: 26
Which of the following best demonstrates internal auditors performing their work with proficiency?
A. Internal auditors meet with operational management at each phase of the audit process.
B. Internal auditors adhere to The IIA's Code of Ethics.
C. Internal auditors work collaboratively with their engagement team.
D. Internal auditors complete a program of continuing professional development.
Answer: D (LEAVE A REPLY)
Demonstrating proficiency as an internal auditor is best reflected through continuous professional development. This involves adhering to The IIA's requirement for ongoing education to maintain proficiency and relevancy in the field of internal auditing. Continuous professional development ensures that auditors are up-to-date with the evolving audit practices, standards, and relevant regulatory requirements, thus enhancing their capability to perform effectively.
The IIA's Code of Ethics and Continuing Professional Development standards.

NEW QUESTION: 27
Which of the following statements is true regarding internal controls?
A. Strategic objectives are prerequisites to establishing internal controls.
B. Internal controls eliminate process breakdowns caused by human errors.
C. Well-established internal controls cannot be overridden.
D. Robust internal controls ensure business success.
Answer: (SHOW ANSWER)
Strategic objectives are prerequisites to establishing internal controls. This is because internal controls are designed to ensure that the actions taken by an organization align with its strategic objectives, helping to manage risks that could impede the organization from achieving these goals.
COSO Framework and IIA guidance on internal controls.

NEW QUESTION: 28
Which of the following factors are commonly assessed to determine the magnitude of risk events?
A. Tolerance and appetite
B. Inherent and residual risk
C. Cost and benefit
D. Impact and likelihood
Answer: (SHOW ANSWER)
To determine the magnitude of risk events, organizations commonly assess both the potential impact of the risk event and its likelihood of occurrence. Impact refers to the

extent of the consequences if the risk were to materialize, while likelihood refers to the probability of the risk event occurring. Together, these factors help in quantifying and prioritizing risks, enabling more effective risk management decisions.
Tolerance and appetite (A) are related to the organization's willingness to accept certain levels of risk, not directly to assessing the magnitude of specific risk events. Inherent and residual risk (B) describe risk levels before and after controls are applied, respectively. Cost and benefit (C) pertain to evaluating the financial implications and potential returns of risk management strategies.
COSO Enterprise Risk Management Framework
IIA Global Technology Audit Guide (GTAG) "Management of IT Auditing"

NEW QUESTION: 29
Recently an organization's internal audit activity discovered ghost employees who receive payments Senior management decides to strengthen the internal control measures to address this Which of the following is considered an effective control to mitigate payments to ghost employees?
A. Staff transfers are reviewed by the recruiting manager and approved by the head of human resources
B. New staff requisition forms are authorized by operational management and acknowledged by the head of human resources
C. Staff salary payments and accounting records are approved by the head of accounting and acknowledged by the head of human resources
D. The staff salary payment list is reviewed by the head of payroll and endorsed by the head of human resources
Answer: D (LEAVE A REPLY)
An effective control to mitigate the risk of payments to ghost employees involves cross-verification and authorization by relevant departments. Reviewing the staff salary payment list by the head of payroll and its subsequent endorsement by the head of human resources ensures a double-check mechanism that can detect anomalies such as ghost employees. This control measure helps in verifying the legitimacy of the payroll and the accuracy of the payments made.
Best practices in internal controls for payroll and human resources departments

NEW QUESTION: 30
During an audit of the procurement department, the internal auditor interviewed the department manager to ask questions about the purchasing process. There have been a number of employee complaints, tips, and reports regarding the purchasing process via the organization's whistleblower hotline. Which of the following phrases from the interviewee is most likely to raise concerns regarding potential control deficiencies or fraud risks?
A. "The process works the way it is mandated to work."
B. "I never did it this way."

C. "I cannot take more than a few days of vacation, as nobody else can perform my duties."
D. "There are policies or procedures for this process."
Answer: C (LEAVE A REPLY)
This phrase from the interviewee is most likely to raise concerns regarding potential control deficiencies or fraud risks, because it indicates a lack of segregation of duties and proper backup arrangements in the purchasing process. Segregation of duties is a key internal control that prevents or detects errors or fraud. If the department manager cannot take more than a few days of vacation, it may suggest that he or she is trying to conceal some irregularities or misconduct in the purchasing process.

NEW QUESTION: 31
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: (SHOW ANSWER)
An example of a detective control is confirmation with suppliers and vendors. This control involves verifying transactions after they occur to ensure accuracy and authenticity, helping to detect errors or fraud in the organization's operations with external parties.
Internal control concepts and definitions from authoritative sources like the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

NEW QUESTION: 32
An internal auditor is performing testing to gather evidence regarding an organization's inventory account balance and is mindful of the possibility that the sample used might support the conclusion that the recorded account balance is not materially misstated when, in fact, it is. The auditor's concern best describes which of the following risks?
A. incorrect rejection risk
B. Incorrect acceptance risk.
C. Tolerable misstatement risk.

D. Anticipated misstatement risk
Answer: (SHOW ANSWER)
Incorrect acceptance risk refers to the risk that an auditor concludes that a financial statement assertion is not materially misstated when, in reality, it is. This type of risk is particularly relevant when performing substantive testing on balances such as inventory, where the auditor uses sampling to draw conclusions about the entire account balance. Auditing standards regarding audit sampling and risk assessment, including the concepts of Type I and Type II errors in auditing.

NEW QUESTION: 33
Senior management is eager to assess the organization's risks with regard to electricity sales processes, but the senior management team does not know where to start. How can the internal audit activity assist?
A. Outsource the identification of best practices for risk management to an external third party.
B. Perform an audit engagement to identify risk management practices deployed in electricity sales processes.
C. Recommend reporting the lack of risk management to government authorities and request guidance.
D. Facilitate a self-assessment workshop with the employees responsible for process execution.
Answer: B (LEAVE A REPLY)
By performing an audit engagement, the internal audit activity can systematically review and assess the current risk management practices in the electricity sales processes. This will provide senior management with a detailed understanding of the existing controls, processes, and any gaps or areas for improvement. An audit engagement offers a structured approach to identifying and evaluating risks and controls, which is essential for developing effective risk management strategies. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2200 - Engagement Planning, and Standard 2210 - Engagement Objectives.

NEW QUESTION: 34
If the skills and competencies are not present within the internal audit activity to complete an ad-hoc assurance engagement, which of the following is an acceptable resolution?
A. Politely decline the engagement due to a lack of qualified staff available at the time.
B. Complete the engagement as requested, with the best of the current staffs abilities.
C. Consider using employees from other departments in the organization on the audit team.
D. Change the scope of the testing to ensure that only available staff proficiencies are used
Answer: A (LEAVE A REPLY)

If the internal audit activity lacks the necessary skills and competencies to complete an ad-hoc assurance engagement, the most appropriate and professional action is to politely decline the engagement due to a lack of qualified staff. This decision upholds the IIA ' s standards on professional proficiency and due professional care.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 35
A chief audit executive (CAE) has just joined an organization with an existing internal audit activity. Based on her review of the current organizational structure, the CAE determines that the internal audit activity lacks adequate independence. Which of the following actions is the CAE ' s best step to take next to move the internal audit activity toward organizational independence?
A. Ensure the limitations are disclosed through communication with the board and senior management, so that the internal audit activity can continue operating under the same organizational structure.
B. Request that the board restructure the reporting line of the internal audit activity to ensure the CAE has unrestricted access to the board.
C. Rotate internal audit assignments among members of the internal audit activity to minimize the effects of the current structure.
D. Train internal auditors about organizational independence and have them sign an acknowledgment of understanding.
Answer: B (LEAVE A REPLY)
The best step for the chief audit executive (CAE) to take when determining that the internal audit activity lacks adequate independence is to request that the board restructure the reporting line to ensure the CAE has unrestricted access to the board. This action will help to enhance the independence and objectivity of the internal audit activity by ensuring that the CAE reports functionally to the board, which is a key aspect of maintaining organizational independence.
The IIA Standards: Standard 1110 - Organizational Independence: " The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity. " IIA Practice Guide: " Independence and Objectivity " : Discusses the importance of reporting lines and organizational structure in maintaining the independence of the internal audit activity.

NEW QUESTION: 36
What is the main difference between a consulting engagement versus an assurance engagement?
A. The nature of services provided are defined in the internal audit charter.
B. Internal auditors must maintain objectivity while performing their work.

C. The objectives and scope of the engagement typically are directed by management.
D. Internal auditors may assume management responsibilities.
Answer: C (LEAVE A REPLY)
In a consulting engagement, the internal auditors collaborate with management to determine the objectives and scope. In contrast, for assurance engagements, the internal audit activity sets the objectives and scope independently to provide an unbiased assessment. References:
* IIA Standard 2010: Planning.
* IIA Practice Guide: Consulting Services.

NEW QUESTION: 37
Which of the following statements is true regarding organizational culture and an audit of the control environment?
A. For multinational organizations it is important to ensure that the organizational culture is consistent at all locations
B. Because the chief audit executive (CAE) is part of the organizational culture, external auditors should be engaged to evaluate the control environment
C. If there are unresolved scope restrictions, the CAE should consider whether to pursue the audit and note the scope restrictions in the audit report
D. Because it will create a conflict of interest relating to the control environment, senior management should not be consulted during the audit
Answer: C (LEAVE A REPLY)
If there are unresolved scope restrictions, the chief audit executive (CAE) should consider whether to pursue the audit and note the scope restrictions in the audit report. This is important because scope restrictions can limit the audit's ability to fully assess the control environment, and documenting these limitations helps ensure that the audit report reflects the extent to which the auditor was able to evaluate the control environment.
The IIA's International Standards for the Professional Practice of Internal Auditing regarding scope limitations and reporting.

NEW QUESTION: 38
Which of the following parties would be responsible for ongoing monitoring of the organization's corporate social responsibility activities to reduce its carbon footprint?
A. Chief audit executive
B. Facility operation manager
C. Public relations manager
D. Regulatory agency
Answer: B (LEAVE A REPLY)
While the internal audit may be involved in assessing the adequacy of the organization's efforts in corporate social responsibility (CSR), the primary responsibility for ongoing monitoring of CSR activities, such as reducing carbon footprint, typically rests with

operational management. In this context, the Facility Operation Manager would be the most appropriate choice, as they are directly involved in managing the day-to-day operations that affect the organization's environmental impact.
General industry practices on CSR responsibilities

NEW QUESTION: 39
The audit committee chair requested that the chief audit executive include in his annual report to the audit committee information related to how the internal audit activity meets its requirement for due professional care. Which of the following statements would be appropriate to include in the report?
A. During engagements, the identified risks were appropriately addressed with necessary audit procedures to ensure that any risk that threatened the company's objectives was adequately mitigated, regardless of cost.
B. Due professional care was exercised during the conduct of each engagement so that all risks were identified and ranked, and assurance procedures were designed to address each risk accordingly.
C. To meet its mission of enhancing and protecting organizational value and to demonstrate appropriate support for management, the internal audit activity planned to accept all proposed management consulting engagements.
D. During engagements, internal auditors considered various data analysis techniques and relevant technology-based audit procedures, and used these techniques and procedures when applicable.
Answer: (SHOW ANSWER)
Due professional care is the care and skill expected of a reasonably prudent and competent internal auditor. It requires internal auditors to follow the IPPF. One of the aspects of due professional care is to perform risk-based audits, which means identifying and assessing the risks that may affect the organization's objectives, and designing and executing audit procedures that provide reasonable assurance on the effectiveness of risk management and internal control. Therefore, option B is an appropriate statement.

NEW QUESTION: 40
During an assurance engagement an internal auditor discovered that risk limits risk limit were set for a new market expansion project Management of the area under review was eager to comply and submitted a potential risk limit value for the auditor's review and approval. Which of the following would be an appropriate course of action for the auditor to take?
A. Review the submission and if no further remarks exist approve the risk limits
B. Provide advice if needed and ask management of the area under review to forward to senior management and the board for approval
C. Develop risk limit calculation criteria and ask management of the area under review to resubmit the values.

D. Avoid providing any advice or review until the audit report is issued
Answer: (SHOW ANSWER)
In this situation, the appropriate action for the internal auditor is to remain independent and avoid roles that could impair this independence, such as making managerial decisions. By advising and then directing the management to submit the proposal to senior management and the board, the auditor maintains an advisory role without crossing into decision-making territory, thus preserving the independence necessary for an assurance role.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 41
Which of the following scenarios provides the most concerning red flag or indicator of possible fraud?
A. An employee receives a bonus for perfect attendance
B. During the past 18 months three chief financial officers have left the organization after having been promoted to the position
C. The organization does not perform any due diligence research on third party service providers
D. Three competitors are highly profitable but a fourth equal in size is approaching bankruptcy limits
Answer: (SHOW ANSWER)
The scenario where three chief financial officers have left the organization after being promoted to the position over the past 18 months presents the most concerning red flag for possible fraud or other serious issues. Such turnover at a high level, especially in a critical financial role, could indicate underlying problems such as financial mismanagement, conflict, or fraud. References: Institute of Internal Auditors (IIA) - Practice Guide: Assessing Fraud Risks

NEW QUESTION: 42
A subsidiary of the organization was preparing for an initial public offering (IPO). Af the request of the audit committee, the chief audit executive (CAE) and all senior audit staff were actively involved in the process by helping collect and validate financial data, conducting assessments, and participating in meetings with IPO advisors. Six months later, it became obvious that the IPO had to be canceled. Newly appointed audit committee members requested an assurance engagement that v/ould assess the IPO preparation process.
Which of the following would be the best course of action for the chief audit executive (CAE) to take?
A. The decision to involve auditors in the IPO was made by former audit committee members; therefore, the CAE is not responsible and can proceed with the new assignment.

B. The CAE should reject the assignment, as such engagements are beyond the scope of auditors who are usually not familiar with root cause analysis methodology.
C. The engagement should be undertaken by audit assistants and other junior staff members who were not involved in the IPO process.
D. The CAE should disclose objectivity limitations to the audit committee and suggest alternatives, such as outsourcing the engagement.
Answer: (SHOW ANSWER)
Since the CAE and senior audit staff were actively involved in the IPO process, their objectivity could be compromised if they conduct the assurance engagement. Disclosing these limitations to the audit committee and suggesting alternatives, such as outsourcing the engagement, helps maintain the integrity and objectivity of the audit process.
References:
* IIA Standard 1130: Impairment to Independence or Objectivity.
* IIA Practice Guide: Independence and Objectivity.

NEW QUESTION: 43
An internal auditor wants to compare her organization's governance processes to those of a well-known governance model. Which of the following approaches would the auditor take for this purpose?
A. Perform a gap analysis to assess me differences between the approaches
B. Assess the governance processes using computerized modeling techniques
C. identify any differences between the processes using a variance analysis
D. Benchmark the governance processes using a capability maturity modal
Answer: A (LEAVE A REPLY)
When an internal auditor wants to compare her organization's governance processes to those of a well-known governance model, performing a gap analysis is the most effective approach. A gap analysis involves comparing the current state (the organization ' s existing governance processes) with the desired state (the well-known governance model). This analysis identifies the gaps or differences between the two, which can then be addressed to improve the organization ' s governance practices. It helps in pinpointing specific areas where the organization ' s practices fall short and need enhancement.
The IIA Standards: Standard 2130 - Governance: " The internal audit activity must assess and make appropriate recommendations to improve the organization ' s governance processes. " IIA Practice Guide: " Assessing Organizational Governance in the Public Sector " : Discusses the use of gap analysis to evaluate governance frameworks.

NEW QUESTION: 44
In an environment where employees are frequently penalized for mistakes and the organizational culture is one of fear and blame which of the following is an internal auditor most likely to find?
A. Management regularly overrides key controls

B. Employee turnover is tow
C. Careless behavior becomes normal
D. Employee morale is low
Answer: (SHOW ANSWER)
In an organizational culture characterized by fear and blame, where employees are frequently penalized for mistakes, internal auditors are most likely to find low employee morale. Such an environment can lead to a lack of trust and motivation among employees, reducing their willingness to take initiative or innovate. Low morale can negatively impact productivity, increase turnover, and contribute to a toxic workplace culture.
Recognizing these signs is crucial for internal auditors when assessing the effectiveness of the organization's control environment and overall governance.
The IIA Standards: Standard 2120 - Risk Management: "The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes." COSO Framework: Emphasizes the importance of a positive control environment and its impact on employee behavior and organizational performance.

NEW QUESTION: 45
A third-party provider's questionable labor practices have exposed the organization to reputational risks and regulatory risks. Which of the organization's risk management practices was most likely ineffective?
A. The organization ensured that the third-party vendor provided the best pricing for the requested services.
B. The organization conducted quality control reviews of provided services to ensure industry standards were met.
C. The organization performed a due diligence review of all vendors during the bid review process.
D. The organization planned to issue a resolution concerning the third-party provider's labor practices.
Answer: (SHOW ANSWER)
The organization's risk management practices that were most likely ineffective in the scenario described involve the due diligence review of vendors during the bid review process. Effective due diligence would typically include an assessment of all potential risks associated with a vendor, including reputational and regulatory risks stemming from labor practices. Failure in this area suggests that the due diligence process was not thorough enough to identify these risks.
Risk management frameworks and guidelines that emphasize the importance of comprehensive vendor due diligence as part of an organization's risk management practices.

NEW QUESTION: 46

According to IIA guidance, which of the following is most critical to ensuring that an organization's risk management program remains effective over time?
A. Ensuring a fully executed assurance role for the internal audit activity.
B. Conducting risk evaluations that include ranking the relative importance of each risk.
C. Establishing a risk management function and appointing a chief risk officer.
D. Conducting a combination of ongoing risk reviews and individual evaluations.
Answer: D (LEAVE A REPLY)
Ensuring an organization's risk management program remains effective over time is most critically supported by conducting a combination of ongoing risk reviews and individual evaluations. This approach allows for continuous monitoring and updating of the risk landscape, ensuring that the risk management processes adapt to changes in both internal and external conditions.
IIA guidance on effective risk management practices

NEW QUESTION: 47
Which of the following threatens internal audit objectivity'?
A. Internal auditors are expected by senior management to identify a minimum of five major control weaknesses in each area audited
B. Internal auditors are prevented from accessing information necessary to undertake their audit engagements
C. The chief audit executive reports directly to the chief financial officer who previously led the internal audit activity
D. The CEO requests the internal audit activity develop a charter that clearly delineates its purpose and responsibilities within the organization
Answer: C (LEAVE A REPLY)
A significant threat to internal audit objectivity arises when the chief audit executive reports directly to the chief financial officer, especially if the CFO previously led the internal audit activity. This reporting relationship can undermine the independence necessary for objective audits, as the CFO might influence the scope or outcome of audit engagements to suit certain financial reporting outcomes or to cover previous decisions made while in charge of internal audit.

The IIA's International Standards for the Professional Practice of Internal Auditing on independence and objectivity.

NEW QUESTION: 48

The manager of the payroll department requested a review of the payroll process, but only wants the engagement to include processes related to approval of time worked. What type of activity is this?

A. Financial assurance engagement.

B. Operational consulting engagement.

C. Compliance assurance engagement.

D. Risk management consulting engagement.

Answer: (SHOW ANSWER)

The review requested by the manager of the payroll department, focusing solely on the processes related to the approval of time worked, is best classified as a Compliance Assurance Engagement. This type of engagement aims to ensure that specific processes comply with established policies, procedures, or regulations - in this case, those related to payroll approvals. The emphasis on adherence to established guidelines and rules characterizes this as a compliance engagement rather than financial, operational, or risk management consulting.

IIA guidance on different types of audit engagements.

NEW QUESTION: 49

Which of the following survey questions would be most effective to identify ethics violations within the organization?

A. Are the performance targets in your department realistic and attainable?

B. Do your coworkers have the knowledge, skills, and training needed to perform their job duties?

C. Does your supervisor comply with laws and regulations affecting the organization?

D. Do you have sufficient resources, tools, and time to accomplish your work objectives?

Answer: C (LEAVE A REPLY)

Among the survey questions provided, the most effective for identifying ethics violations is: Does your supervisor comply with laws and regulations affecting the organization? This question directly addresses compliance and ethical behavior of supervisors, which is crucial for setting an ethical tone at the top and ensuring organizational integrity.

* Option A: Relates to performance targets and is not directly about ethics.

* Option B: Focuses on skills and training, which are important but not specific to ethics.

* Option D: Concerns resources and time, not directly addressing ethical violations.

IIA's Practice Guide on "Auditing Culture".

Compliance and Ethics Programs guidance.

NEW QUESTION: 50

Which of the following options describes the reason that conformance with The IIA's Code of Ethics is mandatory for internal auditors?

A. Ethical compliance provides the basis for stakeholder confidence in the competence of the internal audit activity and of professional internal auditors.

B. Ethical compliance is necessary for internal auditors and the internal audit activity to accept responsibility for providing g absolute assurance about the organization's risk management.

C. Ethical compliance provides the basis for stakeholder trust and confidence in the validity of the profession of internal auditing and the internal audit activity's findings.

D. The internal audit activity's ethical compliance sets the tone for the ethical compliance by the organization's board, management, and employees.

Answer: C (LEAVE A REPLY)

Conformance with The IIA's Code of Ethics is mandatory for internal auditors because it provides the basis for stakeholder trust and confidence in the validity of the profession of internal auditing and the internal audit activity's findings. Ethical behavior in internal auditing ensures that auditors are trusted by those who rely on their conclusions, advice, and information, thereby enhancing the integrity and credibility of the audit results.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 51

Which of the following should be considered in developing a risk and control model for use in an engagement?

A. The risk and control model should be globally accepted by the profession.

B. The risk and control model should be strictly adhered to in performing the engagement.

C. The risk and control model should be tailored to the organization that will be the subject of the engagement.

D. The risk and control model should be developed individually by the auditor for use on individual audit projects within the planned engagement.

Answer: C (LEAVE A REPLY)

Developing a risk and control model for an engagement should take into account the specific characteristics, processes, and risks of the organization being audited. Tailoring the model ensures that the controls are relevant and effective for the specific context of the organization, leading to a more accurate and useful audit outcome. References:

* IIA's International Professional Practices Framework (IPPF), particularly on risk-based auditing and control frameworks.

NEW QUESTION: 52

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

A. Testing an entire population, even when a sample would suffice

B. Using technology and data analysis techniques for efficiency

C. Enhancing knowledge, skills, and other competencies through professional development
D. Establishing audit objectives, performing audit tests, and implementing missing controls
Answer: C (LEAVE A REPLY)
An internal auditor exercises due professional care by enhancing knowledge, skills, and other competencies through ongoing professional development. This action is essential to maintain the necessary proficiency and competency in performing audit tasks, thereby ensuring the quality and effectiveness of the audit work aligns with professional standards and meets the evolving needs of the organization.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 53
The chief audit executive (CAE) of a large organization has been asked by the board to assume responsibility for risk management and compliance operations, both of which are distinct departments within the organization and are subject to periodic audits by the internal audit activity In regards to future audits of these functions which of the following approaches would be most appropriate?
A. Audits of risk management and compliance functions should be overseen by a competent external assurance provider
B. Audits of risk management and compliance functions should be overseen by a senior audit manager within the internal audit activity other than the CAE
C. Audits of risk management and compliance functions should be conducted by internal auditors under the supervision of management from both functions
D. Audits of risk management and compliance functions should be earned out by a team of the most experienced auditors overseen by the CAE
Answer: A (LEAVE A REPLY)
Given the chief audit executive's (CAE) new responsibility for the risk management and compliance operations, the independence of the internal audit activity could be compromised in future audits of these functions. Therefore, to maintain objectivity and impartiality, audits of risk management and compliance functions should ideally be overseen by a competent external assurance provider. This approach ensures that the audit is free from internal influence and bias, aligning with the IIA's standards on independence and objectivity.
IIA Standard 1110 - Organizational Independence

NEW QUESTION: 54
According to NA 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: (SHOW ANSWER)
According to IIA guidance, the practice by the chief audit executive (CAE) that best enhances the organizational independence of the internal audit activity is meeting privately with the board at least annually.
This practice ensures that the internal audit activity can operate independently of management and directly report and discuss significant matters with the board, which is critical for maintaining its independence and objectivity.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 55
Which of the following most accurately describes the role of the board when it comes to organizational governance?
A. Responsibility for outcome of the process.
B. Responsibility to be involved in management of the organization.
C. Responsibility to determine who is accountable for outcomes.
D. Responsibility to identify risks in the organization's business environment
Answer: (SHOW ANSWER)
The role of the board in organizational governance most accurately involves the responsibility for the outcome of the process. This encompasses overseeing the strategic direction of the organization, ensuring that corporate objectives are met, and that the management's activities align with the overall strategic vision and risk appetite of the organization. The board's oversight role is crucial in ensuring effective governance and accountability throughout the organization.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 56
Which of the following describes the most appropriate match between a potential temporary guest auditor candidate and an upcoming audit assignment?
A. A purchasing manager with two years of prior audit experience in public practice to lead a contracts management audit
B. A communications officer who worked in the marketing department during the last six months to conduct a customer loyalty program audit
C. A manager of social responsibility who has a nursing background to participate m a health and safety audit for the corporate office and plant facilities
D. An accounting manager who discovered and reported fraud committed by a payables clerk to conduct a performance audit of accounts payable
Answer: C (LEAVE A REPLY)

The most appropriate match between a potential temporary guest auditor candidate and an upcoming audit assignment is a manager of social responsibility who has a nursing background to participate in a health and safety audit for the corporate office and plant facilities. This candidate's background in nursing and current role related to social responsibility aligns well with the focus of a health and safety audit, leveraging relevant experience and knowledge. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 57

When dealing with various stakeholders which of the following is true regarding an internal auditor's responsibility to remain objective and independent?

A. When deciding between conflicting reports of a control's performance from a control operator and the operator's manager the internal auditor should generally believe the manager

B. Some audit issues may remain unremediated and unreported if management will accept recommendations that the internal auditor deems more important

C. The internal auditor may initially disagree with management s acceptance of a risk, but reevaluate and agree with management's judgment after further discussion

D. When working on business unit audits it is sometimes sufficient for the internal auditor to report deficiencies only to the unit manager when remediation is not complex

Answer: C (LEAVE A REPLY)

The statement that the internal auditor may initially disagree with management's acceptance of a risk, but reevaluate and agree with management's judgment after further discussion, is true. This scenario reflects the dynamic nature of risk assessment and management discussions where the auditor, after a comprehensive evaluation and consideration of new information or perspectives, might align with management's decision regarding risk acceptance.

IIA's International Standards for the Professional Practice of Internal Auditing regarding objectivity and professional judgment.

NEW QUESTION: 58

Which of the following statements best describes internal auditors' role in fraud detection?

A. Internal auditors' roles are similar to those performed by loss prevention managers or fraud investigators.

B. Internal auditors' demonstration of adequate professional skepticism during an audit engagement is of paramount importance.

C. Internal auditors should consider fraud risks in every assignment and demonstrate due care by detecting fraud instances.

D. Internal auditors should possess a fraud-related body of knowledge, enabling them to carry out preventative and detective measures.

Answer: D (LEAVE A REPLY)

Given the restrictions on in-person contact due to the global health crisis, a virtual meeting with management to discuss the automobile production process is the most direct and interactive alternative. This approach would allow the internal auditors to ask real-time questions and get insights directly from those who manage and understand the production process, thus compensating for the inability to conduct onsite inspections.
Institute of Internal Auditors (IIA) - Guidance on Alternative Training Methods during Disruptions.

NEW QUESTION: 59
In which of the following scenarios would the internal auditor's objectivity be best protected?
A. A former human resources manager conducts an effectiveness review of the appointment and termination process six months after transferring to the internal audit activity.
B. An accounts payable clerk assists the internal auditors during an effectiveness review of the physical access controls to the server room.
C. An internal auditor writes the system manual for a newly acquired payroll software application prior to conducting an effectiveness review of the system.
D. An internal auditor conducts an effectiveness review of an organization's business continuity plan in which his son is a minority stockholder.
Answer: A (LEAVE A REPLY)
The internal auditor's objectivity is best protected in the scenario where a former human resources manager conducts an effectiveness review of the appointment and termination process six months after transferring to the internal audit activity. This duration allows for a cooling-off period, which helps to mitigate potential conflicts of interest or biases related to the auditor's former role and responsibilities.
IIA Standards regarding objectivity and conflicts of interest.

NEW QUESTION: 60
During a review of the procurement function, an internal auditor identified an existing control for adding new vendors into the vendor contract system. Which of the following would best help the auditor determine the adequacy of the control's design?
A. Flowchart of the vendor addition process.
B. Independent confirmations sent to vendors.
C. Analysis of the control's costs and benefits.
D. Interview with management of the procurement function.
Answer: A (LEAVE A REPLY)
To determine the adequacy of the control's design for adding new vendors into the vendor contract system, a flowchart of the vendor addition process would be the most useful. A flowchart provides a clear and detailed visualization of the process, highlighting each step involved and the controls in place. This allows the auditor to assess whether the design of

the control is appropriate and sufficient to mitigate relevant risks. While interviews, confirmations, and cost-benefit analyses provide useful information, they do not offer the same level of detailed insight into the control's design as a flowchart does.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 61
Which of the following must be considered by the chief audit executive before writing the internal audit charter?
A. Internal auditors' level of competencies and skills.
B. The manner in which the internal audit activity is viewed by the board.
C. Evaluation of staff certifications and continued development.
D. Effectiveness of the quality assurance and improvement program.
Answer: B (LEAVE A REPLY)
Before writing the internal audit charter, the chief audit executive (CAE) must consider how the internal audit activity is viewed by the board. The internal audit charter is a formal document that defines the purpose, authority, and responsibility of the internal audit activity. It should align with the expectations and requirements of the board and senior management. Understanding the board's perception and expectations helps in crafting a charter that ensures appropriate support and engagement from key stakeholders, thereby enhancing the effectiveness and alignment of the internal audit function with organizational objectives.
IIA Standard 1000 - Purpose, Authority, and Responsibility.
IIA's Practice Advisory on Developing the Internal Audit Charter.

NEW QUESTION: 62
A sales manager was recently bypassed for a promotion. He feels entitled to a higher salary and is angry that management does not recognize his contributions. To make up for this perceived injustice, he begins to record false expenses on his travel expense reports. This scenario best illustrates which of the following fraud risk factors?
A. Incentive.
B. Rationalization.
C. Pressure.

D. Opportunity.

Answer: B (LEAVE A REPLY)

Rationalization is evident here, as the manager justifies his fraudulent actions by viewing them as compensation for perceived unfair treatment. According to IIA guidance on fraud, rationalization allows individuals to reconcile unethical behavior with their self-concept.

NEW QUESTION: 63

Which of the following statements is true regarding external quality assessments?

A. They can be performed by self-assessment with independent external validation, but they must be performed every three years.

B. When a new chief audit executive (CAE) is appointed, an external quality assessment should be undertaken during the CAE's first year of office.

C. An external quality assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team.

D. An external assessment by a qualified professional from outside of the organization can be performed in place of an internal assessment.

Answer: C (LEAVE A REPLY)

IIA standards require that external quality assessments be conducted at least once every five years by an independent assessor. This ensures adherence to quality standards and strengthens the objectivity of the internal audit function.

NEW QUESTION: 64

During a review of employee benefits, a staff internal auditor observed an ambiguity in the incentive compensation policy. If reported, it could negatively impact the internal auditor's compensation. Which of the following would encourage the internal auditor to be objective in his work?

A. Periodic reinforcement of the internal audit activity's code of ethics disclosure practices.

B. External assessments of the internal audit activity every five years.

C. Audit committee review of every engagement report at the conclusion of the audit.

D. Internal audit charter approved by the board.

Answer: A (LEAVE A REPLY)

Periodic reinforcement of the internal audit activity's code of ethics disclosure practices would encourage the internal auditor to maintain objectivity, even when personal compensation might be affected. The IIA's Code of Ethics emphasizes integrity and objectivity, and regular reinforcement helps auditors adhere to these principles, ensuring that they act impartially and do not allow conflict of interest or undue influence to impair their judgment.

The Institute of Internal Auditors (IIA) - Code of Ethics.

NEW QUESTION: 65

An internal auditor has completed an assurance engagement. Which of the following is most likely true regarding the engagement?

A. During audit planning the auditor provided the client with the scope of the engagement for their agreement

B. The results of tie engagement were included m a written report mat was issued to the cleint who requested me engagement

C. During audit planning the auditor determined that the engagement scope would include a review of the security and privacy of payroll records

D. The client requested the review of a new payroll system in order to improve the security of fie system

Answer: C (LEAVE A REPLY)

In the context of an assurance engagement, the auditor determines the scope of the engagement during the planning phase, which includes identifying the specific areas to be reviewed. In this case, if the engagement included a review of the security and privacy of payroll records, it means that during the planning phase, the auditor identified this area as part of the engagement scope. This step is crucial to ensure that the engagement objectives are met and that all relevant risks and controls are evaluated.

The IIA Standards: Standard 2200 - Engagement Planning: "Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations." The IIA Practice Guide: "Engagement Planning: Establishing Objectives and Scope": Emphasizes the importance of defining the scope during the planning phase.

NEW QUESTION: 66

An internal auditor is reviewing employee travel expenses from the previous six months for fraud. Which of the following tests would best detect instances where personal travel has been claimed?

A. Verifying whether claims have been properly authorized for payment

B. Verifying whether claims are properly supported by invoices or other documents.

C. Confirming that all claims are within the limits of the organization's travel policy.

D. Reconciling claims against business the requests that were approved by supervisors

Answer: D (LEAVE A REPLY)

The most effective way to detect fraudulent claims for personal travel as business expenses is by reconciling claims against the business requests approved by supervisors. This method helps to verify that each claim corresponds directly to an approved and legitimate business activity, which is a critical checkpoint in detecting fraud in travel expenses.

Institute of Internal Auditors (IIA) Standards and Guidelines.

NEW QUESTION: 67

After the final audit report was issued, the engagement supervisor received an expensive gift from management recognizing her assistance in improving the business, if the gift is accepted, which of the following would be true?

A. The engagement supervisor violated The IIA's Code of Ethics principle of integrity.

B. The engagement supervisor violated The IIA's Code of Ethics principle of objectivity.

C. The engagement supervisor violated The IIA's Code of Ethics principle of confidentiality.

D. The engagement supervisor did not violate any principles of The IIA's Code of Ethics.

Answer: (SHOW ANSWER)

If the engagement supervisor accepts an expensive gift from management after the issuance of a final audit report, it violates The IIA's Code of Ethics principle of objectivity. Objectivity requires auditors to maintain an unbiased mental attitude and avoid conflicts of interest or unduly influenced behaviors. Accepting gifts can compromise the perceived or actual independence of the auditor, influencing decisions or outcomes of audits in favor of the gift giver.

The IIA's Code of Ethics on Objectivity.

NEW QUESTION: 68

Which of the following best demonstrates that an internal auditor is applying due professional care when planning an assurance engagement?

A. Assessing the risk of noncompliance with laws and regulations

B. Following the policies as prescribed by the internal audit manual.

C. Advising management of the area under review on how to mitigate internal control risks.

D. Conducting the engagement on the presupposition that fraud exists.

Answer: A (LEAVE A REPLY)

Applying due professional care in planning an assurance engagement includes assessing the risks involved in the engagement area. An assessment of the risk of noncompliance with laws and regulations directly addresses the potential legal and regulatory exposures that could significantly impact the organization. This risk assessment helps ensure that the audit plan is appropriately focused and aligned with key risks, demonstrating due professional care.

IIA standards on planning, which stipulate that due professional care includes an appropriate risk assessment.

NEW QUESTION: 69

When a plant manager from within the organization is hired as a rotational internal auditor within the internal audit activity which area should he most likely be trained for immediately?

A. Industry knowledge

B. Project management

C. Leadership skills

D. Risk assessments

Answer: D (LEAVE A REPLY)
When a plant manager from within the organization is hired as a rotational internal auditor, the area he should most likely be trained for immediately is risk assessments. This training is crucial because understanding and performing risk assessments is fundamental to the internal audit function, and the plant manager may not have specific skills in this area despite having industry and management experience.
IIA education and training standards

NEW QUESTION: 70
According to IIA guidance, which of the following actions best demonstrates due professional care by an internal auditor when she discovers a number of fraud-related red flags during an audit engagement?
A. Conclude the engagement and inform management that fraud has occurred
B. Perform further testing to verify the existence of fraud.
C. Suspend the engagement and undertake a formal fraud investigation.
D. Notify the board of the possible fraud immediately
Answer: B (LEAVE A REPLY)
When an internal auditor discovers fraud-related red flags during an audit engagement, the action that best demonstrates due professional care is to perform further testing to verify the existence of fraud. This approach ensures that any findings of fraud are based on thorough investigation and sufficient evidence, rather than premature conclusions. This procedure aligns with the IIA's guidance on due diligence and the thorough investigation of anomalies.
IIA International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 71
According to IIA guidance, which of the following statements is true regarding reporting the results of the quality assurance and improvement program?
A. Results of internal assessments need to be reported to the board at least once every five years.
B. The external assessor must present the findings from the external assessment to senior management and the board upon completion.
C. Deficiencies within the internal audit activity must be reported to the board as soon as they are noted.
D. Results of ongoing monitoring of the internal audit activity's performance must be reported to senior management and the board at least annually
Answer: D (LEAVE A REPLY)
According to IIA guidance, the results of ongoing monitoring of the internal audit activity's performance must be reported to senior management and the board at least annually. This ensures that the board and senior management are regularly informed about the

effectiveness and efficiency of the internal audit function, aligning with the IIA's standards on quality assurance and improvement.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 72
Which of the following statements is true regarding consulting and assurance engagements performed by the internal audit activity'?
A. For both assurance and consulting engagements, the auditor must independently and objectively select the criteria for evaluation
B. For a consulting engagement, internal auditors and management jointly agree on the adequate criteria needed to evaluate governance, risk management, and controls. This is not true of assurance engagements
C. Engagement planning and fieldwork are similar for both types of engagements (there are no major differences) although the reporting process is different depending on which service is provided
D. For a consulting engagement objectives must address governance risk management and control processes to the extent agreed upon with the client. This is not true of assurance engagements
Answer: B (LEAVE A REPLY)
For consulting engagements, the criteria used to evaluate governance, risk management, and controls are determined jointly by internal auditors and the management. This is distinct from assurance engagements, where criteria are set independently by the auditor to assess whether an organization's components are functioning as intended and to evaluate compliance with policies and procedures. This distinction emphasizes the collaborative nature of consulting engagements in contrast to the independent nature of assurance engagements.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 73
Which of the following situations best describes an internal auditor who may have violated the IIA Code of Ethics principle of confidentiality?
A. The auditor intentionally omitted from his resume that he was fired from his previous job for fraud allegations,
B. The auditor decided not to notify her supervisor that her brother-in-law was responsible for the project the auditor was expected to evaluate.
C. The auditor asked the audit client to copy requested files to her personal unencrypted memory stick because it was faster and more convenient.
D. The auditor was assigned to analyze the organization ' s incentive program and spent long hours reviewing other employees' bonuses,
Answer: (SHOW ANSWER)

According to the IIA Code of Ethics, the principle of confidentiality emphasizes that internal auditors must refrain from disclosing confidential information acquired in the course of their duties unless legally obligated to do so. Using a personal unencrypted memory stick for transferring audit files not only risks the security of the information but also contravenes the confidentiality principles by potentially exposing sensitive data to unauthorized access.
IIA Code of Ethics, Principle of Confidentiality

NEW QUESTION: 74
Which of the following would be considered advanced expertise which most internal auditors are not expected to possess'?
A. The ability to evaluate fraud risk
B. The ability to detect and investigate fraud
C. The ability to assess risk management strategies
D. The ability to create test databases
Answer: D (LEAVE A REPLY)
Advanced expertise in internal auditing is largely based on the knowledge, skills, and abilities that are generally expected of all internal auditors. According to IIA guidance, all internal auditors should be proficient in risk management, control, and governance processes, including the ability to evaluate fraud risk and the ability to assess risk management strategies. However, creating test databases is a specialized technical skill that goes beyond the typical expertise of internal auditors. This type of skill is more commonly found among IT auditors or those with specific training in information technology, and it is not typically expected of all internal auditors.
The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 75
What should be the first step for a newly hired chief audit executive to build and maintain the proficiency of the internal audit activity'?
A. Incorporate the basic criteria of internal audit competency into job descriptions
B. Complete a periodic skills assessment of the internal audit activity
C. Develop a competency or skill assessment tool.
D. Perform benchmarking with competitors to learn what other firms are doing related to this topic
Answer: A (LEAVE A REPLY)
The first step for a newly hired chief audit executive (CAE) to build and maintain the proficiency of the internal audit activity should be to incorporate the basic criteria of internal audit competency into job descriptions. This foundational step ensures that all current and future hires are aligned with the required skills and competencies needed for effective internal audit functions. It sets a clear expectation of skills and knowledge right from the

recruitment stage, thereby facilitating the development and maintenance of a competent audit team.
The Institute of Internal Auditors (IIA) - Practice Guides on Talent Management

NEW QUESTION: 76
An internal auditor believes that a weakness exists in the control environment relating to the delegation of authority and responsibility within the management structure. Which of the following actions should the internal auditor first consider in this matter?
A. Recommend a control change and obtain management support
B. Evaluate the potential impact on related controls
C. Address the risk with senior management and the board
D. Develop and communicate the scope and evaluation criteria to be used by management
Answer: B (LEAVE A REPLY)
Evaluating the potential impact on related controls is the first step an internal auditor should take when identifying a weakness in the control environment regarding the delegation of authority and responsibility within the management structure. This approach allows the auditor to understand the extent of the weakness and how it might affect other controls within the organization. By assessing the impact, the auditor can gather the necessary information to inform management and recommend appropriate corrective actions. This method aligns with the principles of risk-based auditing, which emphasize understanding and evaluating risks before taking further steps.
The Institute of Internal Auditors (IIA) Standards: Standard 2210 - Engagement Objectives: " Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives. " COSO Framework: Control Environment principle emphasizes the need for a robust structure for delegation of authority and responsibility and its impact on related controls.

NEW QUESTION: 77
An internal auditor extended the scope of testing for a disbursements engagement following a fraud risk assessment Despite the investment of additional audit resources no significant issues were found Unfortunately a major payment fraud was discovered several

months later According to IIA guidance which of the following statements is true regarding the internal auditor's application of due professional care?
A. Due professional care was not applied because no additional work should have been performed unless there was actual evidence of fraud
B. Due professional care was not applied because the extended scope resulted in no issues being identified, while fraud actually existed
C. Due professional care was applied as the internal auditor modified the scope based on reasonable judgment, despite the additional cost of resources
D. Due professional care was applied as the cost of audit resources should not be a determining factor in the degree of testing undertaken
Answer: (SHOW ANSWER)
Due professional care was applied by the internal auditor. According to IIA guidance, due professional care involves applying reasonable judgment in all audit circumstances. The auditor's decision to extend the scope of testing based on a fraud risk assessment, even though no issues were initially found, represents a judicious use of professional judgment given the potential risk of fraud. The fact that fraud was later discovered does not necessarily imply a lack of professional care, as audits cannot guarantee the detection of all frauds.
IIA Standard 1220 - Due Professional Care

NEW QUESTION: 78
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: (SHOW ANSWER)
A control weakness in the context of internal control over purchasing might be seen in the process where department managers initiate purchase requests that must be approved by the plant superintendent. If the approval process is not robust, this could lead to conflicts of interest or lack of independent review, especially if the superintendent has significant influence or control, and there are no further checks or balances. This situation could potentially allow for inappropriate approvals without sufficient oversight, representing a control weakness.
Internal control frameworks, such as COSO (Committee of Sponsoring Organizations of the Treadway Commission).

NEW QUESTION: 79

A newly appointed chief audit executive (CAE) started analyzing the organization's policies in an attempt to customize them to address internal audit specifics. Which of the following organizationwide practices is most likely to be acceptable to the CAE?

A. Internal auditors1performance evaluation is primarily based on both client satisfaction surveys and cost savings identified from the audits.

B. Standard training for each employee, including internal auditors, is 10 hours per year.

C. To enhance efficiency, internal auditors should not be rotated regularly among engagements.

D. Hiring practices include requiring potential auditors to disclose any significant stock ownership in the organization.

Answer: D (LEAVE A REPLY)

Among the options, requiring potential auditors to disclose any significant stock ownership in the organization is most likely to be acceptable to a CAE aiming to ensure the integrity and independence of the internal audit function. This practice helps manage potential conflicts of interest and aligns with the principles of objectivity and independence in internal auditing standards.

The Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 80

Which of the following scenarios would cause a chief audit executive (CAE) to immediately discontinue using any statements that would indicate conformance with the Standards in an audit report?

A. The internal audit activity used a risk-based approach to create the internal audit plan.

B. The engagement supervisor considered requests from senior management regarding engagements to include in the internal audit plan.

C. The CAE only accepted engagements that the internal audit activity collectively had the knowledge to perform.

D. The area under review restricted the internal audit activity's ability to access records, impacting the audit results.

Answer: D (LEAVE A REPLY)

The International Standards for the Professional Practice of Internal Auditing (Standards) emphasize that internal auditors must be free from interference in determining the scope of internal auditing, performing work, and communicating results. Standard 1110 - Organizational Independence, and Standard 1120 - Individual Objectivity, require that internal auditors have access to all relevant records, personnel, and physical properties within the scope of their audit activities. If an area under review restricts the internal audit activity's ability to access records, it directly impacts the auditor's ability to perform their duties objectively and without interference. This scenario undermines the core principles of independence and objectivity, necessitating the CAE to discontinue using statements indicating conformance with the Standards, as the audit results may be compromised.

The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) - Standards
1110 and 1120.

NEW QUESTION: 81
Which of the following statements is true regarding the disclosure of results of the quality assurance and improvement program?
A. If the results of both internal and external assessments support conformance with the Standards, the internal audit activity must communicate this to the board and senior management in writing.
B. If it has been in existence fewer than five years and has no documented external assessment, the internal audit activity may not indicate that it is operating in conformance with the Standards.
C. If nonconformance affects its ability to fulfill its professional responsibilities or stakeholder expectations, the internal audit activity should disclose nonconformance as well as its impact.
D. If an external assessment reflects an overall conclusion of nonconformance, the internal audit activity may continue to communicate that it conforms with theStandards if it discloses a remediation plan, including timeline with subsequent validation.
Answer: C (LEAVE A REPLY)
According to IIA standards, if nonconformance with the Standards affects the internal audit activity's ability to fulfill its professional responsibilities or meet stakeholder expectations, the internal audit activity should disclose the nonconformance and its impact. This is essential for maintaining transparency and accountability, ensuring that all stakeholders are informed of the internal audit's effectiveness and areas needing improvement.
IIA Standard 1322 - Disclosure of Nonconformance, which outlines requirements for disclosing the results of quality assurance and improvements, particularly concerning nonconformance.

NEW QUESTION: 82
An internal auditor found that his organization did not make a disclosure that is required by law. However, the auditor decided not to raise an audit finding. Which of the following Code of Ethics principles was violated?
A. Objectivity.
B. Integrity.
C. Proficiency.
D. Confidentiality.
Answer: B (LEAVE A REPLY)
By not raising an audit finding about the organization failing to make a legally required disclosure, the internal auditor violated the principle of Integrity. This principle requires auditors to perform their work honestly, diligently, and responsibly. Ignoring a legal

requirement compromises the auditor's integrity, as it involves a deliberate omission of relevant facts.
* Option A: Objectivity involves maintaining impartiality, which is related but not directly relevant to this situation.
* Option C: Proficiency pertains to having the necessary knowledge and skills.
* Option D: Confidentiality involves respecting the value and ownership of information received.
IIA Code of Ethics: Integrity.
IIA Standards of Professional Practice.

NEW QUESTION: 83
Which of the following should be implemented to promote independence of the internal audit activity?
A. Internal auditors do not review an area where they previously worked
B. The internal audit charter is reviewed and updated annually
C. The chief audit executive reports functionally to the board
D. Management does not influence the consulting services provided by the internal audit activity
Answer: C (LEAVE A REPLY)
To promote the independence of the internal audit activity, it is required that the chief audit executive reports functionally to the board. This structural alignment helps ensure that the internal audit function is not unduly influenced by management, which might be the subject of audits, and can freely report on its findings and recommendations without fear of reprisal.
The IIA's International Standards for the Professional Practice of Internal Auditing on independence and objectivity.

NEW QUESTION: 84
According to IIA guidance, which of the following would the internal audit activity examine in order to evaluate the organization ' s governance process for strategic and operational decisions ' ?
A. The risk assessment process including interviews with senior management.
B. The organization's mission and value statements, code of conduct, and whistleblowing policy
C. Board meeting minutes the board policy manual, and past audit reports
D. Staff compensation objective setting and the performance evaluation policy and process
Answer: (SHOW ANSWER)
The first step for a newly hired chief audit executive (CAE) to build and maintain the proficiency of the internal audit activity should be to incorporate the basic criteria of internal audit competency into job descriptions. This foundational step ensures that all current and future hires are aligned with the required skills and competencies needed for effective

internal audit functions. It sets a clear expectation of skills and knowledge right from the recruitment stage, thereby facilitating the development and maintenance of a competent audit team.
The Institute of Internal Auditors (IIA) - Practice Guides on Talent Management

NEW QUESTION: 85
An internal auditor has completed an assurance engagement Which of the following is most likely true regarding the engagement?
A. During audit planning, the auditor provided the client with the scope of the engagement for their agreement
B. The results of the engagement were included in a written report that was issued to the client who requested the engagement
C. During audit planning, the auditor determined that the engagement scope would include a review of the security and privacy of payroll records
D. The client requested the review of a new payroll system in order to improve the security of the system
Answer: B (LEAVE A REPLY)
In assurance engagements, it is standard practice for internal auditors to prepare and issue a written report upon completion. This report includes the results of the engagement and is issued to the client or the party that requested the engagement. This practice ensures transparency, accountability, and provides the client with necessary information to make informed decisions.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 86
Senior management asks the chief audit executive to review the organization's compliance with recently introduced legislation on international transfer pricing. The review requires an internal auditor who thoroughly understands the legislation and pricing methods. The internal audit activity does not have an auditor with those skills. Which of the following is the most appropriate course of action?
A. Outsource the engagement to an external audit firm that has appropriate skills.
B. Recruit a lawyer with knowledge of the legislation to the audit team and ask the new auditor to perform the engagement.
C. Decline to perform the engagement, as the internal audit activity does not have the appropriate skill set.
D. Carry out the engagement using existing internal audit staff to help them gain the appropriate experience.
Answer: A (LEAVE A REPLY)
When the internal audit activity does not have the appropriate skills to review the organization's compliance with recently introduced legislation on international transfer

pricing, the most appropriate course of action is to outsource the engagement to an external audit firm that has the necessary expertise. This ensures that the review is conducted thoroughly and accurately by professionals with specialized knowledge, maintaining the quality and reliability of the audit work while addressing the specific requirements of the engagement.
The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) - Standard
1210: Proficiency.
The IIA's Practice Guide on Coordinating Internal and External Audit Activities.

NEW QUESTION: 87
To comply with the proficiency standard which of the following would the chief audit executive likely consider as the primary hiring criterion when choosing a new internal auditor?
A. The length and consistency of the auditor's work experience
B. The auditor's skills compared to those already possessed by other audit staff
C. The auditor's ability to be self motivated and a good team player
D. The auditor's demonstrated problem-solving skills
Answer: B (LEAVE A REPLY)

NEW QUESTION: 88
According to IIA guidance which of the following statements regarding ethics is true?
A. Business ethics may vary within an organization with both domestic and foreign operations
B. Business ethics are universal n nature and organizations across the world are expected to comply with smear standards
C. A business ethics policy for an organization s established solely to direct me behavior and expectations of employees
D. Business ethics of an organization must remain independent torn those of supplier's customers and business partners
Answer: (SHOW ANSWER)
According to IIA guidance, business ethics may indeed vary within an organization with both domestic and foreign operations. This variation is due to differing cultural norms, legal requirements, and business practices across countries, which may necessitate adaptations in ethical policies and practices. While the core principles of ethics might be universally upheld, their application can differ based on local contexts.
Institute of Internal Auditors (IIA) - Code of Ethics, International Professional Practices Framework (IPPF)

NEW QUESTION: 89
Which of the following is an appropriate role for the internal audit activity?

A. Ensuring the organization's key risks are managed through appropriate controls.
B. Assisting the organization in maintaining effective controls.
C. Implementing new controls to promote continuous improvement.
D. Validating control assessments performed by the external auditor.
Answer: B (LEAVE A REPLY)
According to IIA standards, the internal audit activity should assist in maintaining effective controls but should not assume management's responsibilities, such as implementing or ensuring controls, to preserve its independence.

NEW QUESTION: 90
Which of the following would be the best choice for a continuing professional development requirement for a newly created internal audit activity?
A. Require all internal auditors to create a training plan based on a competency self-assessment.
B. Require internal auditors to complete all of their training through webinars, to increase efficiency and avoid traveling
C. Require all internal auditors to become a member of The Institute of Internal Auditors.
D. Require internal auditors to create a training plan based on their areas of interest
Answer: A (LEAVE A REPLY)
The best choice for a continuing professional development requirement for a newly created internal audit activity is to require all internal auditors to create a training plan based on a competency self-assessment. This approach ensures that training is aligned with the specific needs and gaps in skills identified by the auditors themselves, thereby promoting effectiveness and professional growth within the audit function.
IIA guidelines on continuing professional development and competency assessment.

NEW QUESTION: 91
According to IIA guidance, which of the following would be included in an internal audit charter to help establish the authority of the internal audit activity?
A. Outline expectations for communicating the results of all aspects of the internal audit activity.
B. Declare the internal audit activity's accountability for safeguarding assets and confidentiality.
C. Document the chief audit executive's (CAE's) reporting line
D. Document agreement between the CAE and the individual to whom the CAE reports
Answer: C (LEAVE A REPLY)
To help establish the authority of the internal audit activity, an internal audit charter should document the chief audit executive's (CAE's) reporting line. This information clarifies the CAE's position within the organization, reinforces their independence, and underscores the authority granted to them by the board, which is crucial for enabling the internal audit activity to fulfill its mandate effectively.

IIA Standard 1110 - Organizational Independence, which emphasizes the importance of defining the CAE's reporting lines in the internal audit charter to ensure organizational independence.

NEW QUESTION: 92
According to ISO 31000, which of the following statements is correct?
A. The board is responsible for setting the organizational attitude through tone at the top,
B. The internal audit activity will provide assurance over operating effectiveness but not over the design of risk management activities,
C. The internal audit activity can give objective assurance on any part of the risk management framework for which it is responsible.
D. The framework is designed to be effective for organizations no matter how small.
Answer: D (LEAVE A REPLY)
According to ISO 31000, the risk management framework is designed to be adaptable and effective for organizations of all sizes, including very small entities. This flexibility ensures that all types of organizations can implement risk management practices that are appropriate to their context, scope, and risk profile.
ISO 31000 - Risk Management Guidelines

NEW QUESTION: 93
Due to the increased operational responsibility of the CEO the chief audit executive (CAE) of an organization currently reports to the chief financial officer (CFO) What is the likely impact of such a situation?
A. There may be limitation in the scope of engagements that can be undertaken
B. The CFO could provide expert advice when auditing areas under his purview
C. The internal audit activity is adequately positioned when the CAE reports to a member of executive management
D. The expertise of finance staff can be called upon during an audit of finance-related areas
Answer: A (LEAVE A REPLY)
When the Chief Audit Executive (CAE) reports to the Chief Financial Officer (CFO), there is a potential risk of impairing the independence and objectivity of the internal audit function.

This reporting relationship might limit the scope of audit engagements, especially in areas that could affect the CFO, such as financial reporting or other areas directly under the CFO's control. The CAE should ideally report functionally to the board or audit committee to maintain independence, as suggested by The IIA standards.
IIA Standard 1110: "Organizational Independence"

NEW QUESTION: 94
A new company's risk management function is developing its cybersecurity risk management program Which of the following actions should be the first priority when developing the program?
A. Start building a cybersecurity culture and set the desired behavior using a bottom-up approach
B. Determine the cybersecurity framework that will establish and report on the effectiveness of the program
C. Define the cybersecurity risk appetite and perform a cost-benefit analysis of the program
D. Raise cybersecurity awareness across various departments outside of the IT department
Answer: C (LEAVE A REPLY)
When developing a new cybersecurity risk management program, the first priority should be to define the cybersecurity risk appetite. This involves setting the acceptable level of risk the organization is willing to tolerate and is critical to guide the scope and focus of the cybersecurity initiatives. Performing a cost-benefit analysis of the program at this stage is also crucial to ensure that the planned measures are economically viable and align with the organization's strategic objectives.
Best practices in cybersecurity risk management

NEW QUESTION: 95
In addition to her internal audit activity responsibilities, the chief audit executive has been asked to oversee the organization's insurance function. Which of the following responses is most appropriate?
A. Welcome the additional responsibility, as it represents an opportunity to gain more information for future audits.
B. Revise the internal audit charter to include oversight of the insurance function, ensuring that all of her responsibilities are properly documented.
C. Report the request to the board and recommend alternate processes to obtain assurance related to insurance activities.
D. Promptly remove the organization's insurance function from the audit universe.
Answer: (SHOW ANSWER)
The most appropriate response for a chief audit executive (CAE) who has been asked to oversee the organization's insurance function is to report the request to the board and

recommend alternate processes to obtain assurance related to insurance activities. Taking on operational responsibilities such as overseeing the insurance function could impair the objectivity and independence of the internal audit activity, making it difficult to audit those activities impartially in the future.
IIA Standards on independence and objectivity, particularly Standard 1130: Impairment to Independence or Objectivity.

NEW QUESTION: 96
At what point in time can an organization conclude that the established organizational governance framework was correctly implemented?
A. When the internal auditor conducts observations and fieldwork.
B. When management completes the risk assessment.
C. When the internal auditor evaluation shows its soundness.
D. When the organization's goals and objectives are met.
Answer: C (LEAVE A REPLY)
An organization can conclude that the established organizational governance framework was correctly implemented when the internal auditor evaluation shows its soundness. The evaluation by the internal auditor provides an independent and objective assessment of whether the governance framework is functioning as intended and meeting the organization's objectives.
The IIA's standards on governance, which outline the role of internal auditing in evaluating the effectiveness of governance frameworks.

NEW QUESTION: 97
An internal audit team analyzed the organization's value-at-risk model during an assurance engagement and suggested several useful improvements. Management was impressed by the internal audit team's work and requested additional actions. Which of the following requested actions would impact internal audit independence most severely if fulfilled?
A. Assess the effectiveness of the model at least semi-annually.
B. Modify model inputs and suggest courses of action based on outcomes.
C. Employ acquired experience to test other models used by the company.
D. Validate whether model outputs serve the purpose stated by the model.
Answer: (SHOW ANSWER)
Modifying model inputs and suggesting courses of action based on outcomes would most severely impact the internal audit team's independence. This task crosses into management responsibilities, creating a conflict where auditors are effectively taking part in operations. This could compromise their ability to audit these areas impartially in the future.
IIA standards and guidelines on maintaining independence and objectivity in internal audit activities.

NEW QUESTION: 98

At a construction company, supervisors are entitled to bonus payments if there are no safety rule violations on their teams. There are several channels available for workers to report accidents and violations, and all reported violations are investigated. Bonus payment calculations are approved by managers and the head of safety. Which of the controls best addresses the risk that supervisors will conceal accidents on their teams in order to receive the bonus?

A. The investigation of all reported violations

B. The authorization process for bonus calculations

C. The variety of reporting channels

D. The presence of safety rules

Answer: A (LEAVE A REPLY)

The control that best addresses the risk that supervisors might conceal accidents to receive bonuses is the investigation of all reported violations. This control ensures that incidents are independently verified and assessed, reducing the possibility for supervisors to manipulate or hide safety data to qualify for bonuses.

References: Best practices in fraud and misconduct control, which often emphasize the importance of independent investigations to verify compliance and enforce accountability.

NEW QUESTION: 99

Which of the following is most likely to impair the organizational independence of the internal audit activity?

A. The chief audit executive (CAE) reports administratively to the chief financial officer.

B. The CAE oversees the effectiveness of the organization's risk management function.

C. The CAE reports functionally to the CEO.

D. The CAE managed the finance department for the past five years.

Answer: A (LEAVE A REPLY)

The organizational independence of the internal audit activity is most likely to be impaired if the chief audit executive (CAE) reports administratively to the chief financial officer (CFO). Reporting to the CFO can create a conflict of interest and reduce the perceived and actual independence of the internal audit function, as the CFO has direct involvement in financial management and operations, which are common subjects of audits. This reporting structure could potentially limit the CAE's ability to report issues impartially and independently.

IIA's International Standards for the Professional Practice of Internal Auditing regarding organizational independence.

NEW QUESTION: 100

During an assurance engagement, an internal auditor reviews a tender inviting vendors to submit bids to supply financial services software to the organization. She suspects that the tender was tailored for the bidder who eventually won the contract. What should the auditor do next?

A. Review payments made for the financial services software.

B. Confront a procurement specialist with the suspicion.

C. Submit an anonymous tip to the whistleblower hotline.

D. Analyze technical terms and conditions of the tender.

Answer: D (LEAVE A REPLY)

When an internal auditor suspects that a tender was tailored for a specific bidder, the next appropriate action is to analyze the technical terms and conditions of the tender (Option D). This step involves a detailed examination of the tender documentation to identify any specific terms that may have been included to favor a particular bidder. Such an analysis can provide evidence of bias or manipulation. According to the IIA Standards, auditors must gather sufficient, reliable, and relevant evidence to support their findings (Standard 2310: Identifying Information).

IIA Standards, Standard 2310: Identifying Information

IIA Practice Guide: Evaluating Third-party Risk Management

NEW QUESTION: 101

Which of the following is the best example of a risk appetite statement concerning an investment portfolio?

A. We will request CEO approval for investments greater than S20 million and board approval for investments greater than $50 million.

B. We will hedge 95 percent of our U S. currency exposure and 100 percent of our European currency exposure.

C. We have a moderate tolerance for investment earnings volatility with a target value at risk of S50 million.

D. We will report to the risk committee all credit losses greater than S10 million and all market value losses greater than S20 million.

Answer: C (LEAVE A REPLY)

The best example of a risk appetite statement concerning an investment portfolio is one that explicitly states a tolerance level for investment earnings volatility, such as "We have a moderate tolerance for investment earnings volatility with a target value at risk of $50 million." This statement directly addresses the organization's willingness to accept risk and quantifies it, which is characteristic of effective risk appetite statements.

IIA best practices on defining risk appetite, which recommend quantifying risk tolerance in financial terms to guide strategic decision-making.

NEW QUESTION: 102

According to IIA guidance, which policy, established by the chief audit executive, would most likely ensure internal audits are conducted with due professional care?

A. The initial review of workpapers should be conducted after the final engagement report is issued.
B. Independent internal assessments of the internal audit activity should be performed by entry-level staff as part of on-the-job training.
C. Internal audit staff should be informed regularly of changes to policies and procedures.
D. Training documents should be destroyed at the end of the year to create space for the next year's training documents.
Answer: C (LEAVE A REPLY)
Ensuring that internal audit staff are regularly informed of changes to policies and procedures is crucial for maintaining due professional care. Regular updates ensure that auditors are aware of current standards, methodologies, and best practices, which helps them perform their duties effectively and with due diligence.
* Option A: Reviewing workpapers after the final engagement report is issued is too late to ensure due professional care.
* Option B: Independent assessments by entry-level staff might not ensure the required objectivity and proficiency.
* Option D: Destroying training documents does not contribute to due professional care and may hinder ongoing training and development efforts.
IIA Standard 1230: Continuing Professional Development.
IIA Standard 1220: Due Professional Care.

NEW QUESTION: 103
Which of the following scenarios violates The IIA's standard regarding internal audit independence?
A. The chief audit executive (CAE) reports on the internal audit activity's day-to-day tasks and responsibilities to the CEO.
B. An assessment of the risk management function is reviewed by an outside consulting firm because the CAE is temporarily fulfilling the role of risk manager.
C. The CAE regularly meets with the organization's chief risk officer, who validates all reported audit findings and dictates which will be Included In the package to the audit committee.
D. The internal audit activity will experience staffing shortages for the next six months due to planned and unplanned leaves of absence; therefore the CAE proposed including fewer audits in the annual audit plan compared to the previous financial year.
Answer: C (LEAVE A REPLY)
This scenario violates The IIA's standards regarding internal audit independence because the chief risk officer's involvement in validating and dictating which audit findings are included in the audit committee reports undermines the independence of the internal audit activity. Independence is compromised when audit findings are subject to alteration or selection by another party within the organization, particularly one involved in managing risks that the audit may be assessing.

The IIA's International Standards for the Professional Practice of Internal Auditing, specifically standards related to independence.

NEW QUESTION: 104

As a result of a high-profile processing error, respective business unit managers are implementing new controls. The internal audit team was asked for their advice regarding the controls. The objective of this consulting engagement would be determined by which of the following?

A. The organization's board of directors.

B. The chief audit executive.

C. The business unit manager and the engagement supervisor.

D. The compliance manager and the business unit manager.

Answer: (SHOW ANSWER)

The objective of a consulting engagement where the internal audit team is asked to advise on new controls following a high-profile processing error is typically determined collaboratively by the business unit manager and the engagement supervisor. This cooperation ensures that the engagement's goals align with the specific needs of the business unit while adhering to the broader objectives and standards of the internal audit function.

References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 105

What would be the proper sequence of steps for an internal auditor to take in order to draw a conclusion on internal control effectiveness and adequacy after ascertaining the key controls?

A. Evaluate the adequacy of the controls and then test the controls for effectiveness.

B. Test the controls for effectiveness and then evaluate the adequacy of the controls.

C. Identify risks and then evaluate the controls for effectiveness.

D. Evaluate the controls for effectiveness and then assess the risks in the area.

Answer: A (LEAVE A REPLY)

The proper sequence is to first evaluate the adequacy of the controls to ensure they are appropriately designed to mitigate risks. After confirming their design, the next step is to test the controls to verify they are operating effectively in practice. References:

* IIA Standard 2120: Risk Management.

* COSO Internal Control-Integrated Framework.

NEW QUESTION: 106

Which of the following best describes a proactive role for the internal audit activity with regard to the organization's ethics program?

A. Becoming a voting member of the organization's internal ethics council.

B. Performing an annual organizationwide employee survey.
C. Reviewing all departmental ethics-related policies.
D. Conducting annual ethics training for all employees.
Answer: (SHOW ANSWER)
Performing an annual organization-wide employee survey is a proactive role for the internal audit activity with regard to the organization's ethics program. This survey can help assess the ethical climate, identify potential ethical issues, and gather employee perceptions and feedback. The results can be used to improve the ethics program, enhance training, and ensure that ethical standards are effectively communicated and upheld throughout the organization.
The IIA's Practice Guide on Evaluating Ethics-Related Programs and Activities.
The IIA's International Professional Practices Framework (IPPF) on Assessing Organizational Ethics.

NEW QUESTION: 107
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 (LEAVE A REPLY)
Inherent risk is the exposure to loss in an organization that arises from the nature of its activities without taking into account any actions the organization takes to alter that risk level. A scenario planning exercise that considers a significant reduction in annual snowfall addresses inherent risk, as it relates to potential impacts that naturally arise from changes in weather patterns, which are intrinsic to the business of a snow removal company.
Risk management terminology and frameworks.

NEW QUESTION: 108
What is the primary purpose of The IIA's Code of Ethics?

A. Establish mandatory standards of competence for the practice of internal auditing
B. Establish principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing
C. Promote ethical culture within corporations and other business organizations
D. Communicate specific activities appropriate to the performance of internal auditing
Answer: B (LEAVE A REPLY)

NEW QUESTION: 109
Which of the following is part of a fraud detection program?
A. Whistleblower hotline.
B. Authority limits.
C. Background investigations
D. Evaluation of compensation programs.
Answer: A (LEAVE A REPLY)
A whistleblower hotline is part of a fraud detection program. Whistleblower hotlines are critical as they provide a confidential means for employees and others to report suspicious activities or concerns about fraud, thereby aiding in the early detection and investigation of potential fraudulent activities within an organization.
IIA guidance and fraud risk management frameworks that identify whistleblower programs as an essential element of an effective fraud detection system.

NEW QUESTION: 110
Instead of leaving its capital in a bank account with a low guaranteed interest rate, an organization's board approved a proposal to invest in a stock that could have a high expected return rate without taking any risk mitigation activities. Which risk concept does this decision illustrate?
A. Risk appetite.
B. Risk capacity.
C. Risk tolerance.
D. Risk retention.
Answer: A (LEAVE A REPLY)
Risk appetite is the amount and type of risk that an organization is willing to accept in pursuit of its objectives. It reflects the organization's risk culture and strategy. In this case, the decision to invest in a stock that could have a high expected return rate without taking any risk mitigation activities illustrates a high risk appetite, as the organization is willing to accept a high level of uncertainty and volatility for a potential reward.

NEW QUESTION: 111
Which of the following is the most appropriate way to ensure that a newly formed internal audit activity remains free from undue influence by management?
A. Appoint the chief audit executive as a member of the board.

B. Adopt written policies and procedures for the internal audit activity, approved by the board.
C. Ensure the chief audit executive reports administratively to the audit committee.
D. Establish the internal audit activity's position within the organization in an audit charter.
Answer: D (LEAVE A REPLY)
The most effective way to ensure that a newly formed internal audit activity remains free from undue management influence is to establish the internal audit activity's position within the organization through an audit charter. According to the Institute of Internal Auditors (IIA) standards, the audit charter should define the purpose, authority, and responsibility of the internal audit activity, clearly outlining the scope of internal auditing within the organization. This foundational document formalizes the internal audit function's role and provides a framework that supports its operational independence.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 112
Senior management purchased surveillance cameras and installed them over a door that provides entry to an area where according to a recent internal audit report, hazardous materials exist and there is a high risk of explosion Which type of control was implemented in this situation?
A. A corrective control
B. A detective control
C. A preventive control
D. A directive control
Answer: (SHOW ANSWER)
The installation of surveillance cameras over a door that provides entry to an area with hazardous materials, and a high risk of explosion, represents a preventive control. This control aims to deter unauthorized access and potential mishandling or sabotage, which could lead to dangerous incidents.
The IIA's guidance on different types of controls including preventive, detective, and corrective controls.

NEW QUESTION: 113
According to IIA guidance, which of the following statements is true regarding internal auditors' knowledge, skills and other competencies?
A. The chief audit executive (CAE) must obtain competent advice and assistance if the internal audit activity lacks the knowledge, skills, or other competencies needed to complete the audit engagement
B. Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization and should have the expertise of a fraud investigator

C. Internal auditors need to have basic knowledge of key IT risks and controls and available technology- based audit techniques in order to perform their assigned work
D. The CAE must refuse a consulting engagement if the internal audit activity lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement
Answer: (SHOW ANSWER)
According to IIA guidance, the chief audit executive (CAE) must obtain competent advice and assistance if the internal audit activity lacks the knowledge, skills, or other competencies needed to complete the audit engagement. This ensures that the internal audit activity can effectively carry out its responsibilities by supplementing its capabilities where necessary to maintain quality and effectiveness.
IIA Standard 1210 - Proficiency

NEW QUESTION: 114
Which of the following statements is true regarding management's use of judgement to design, implement, and conduct internal control?
A. The use of judgment enhances management's ability to make better decisions about internal control, but cannot guarantee perfect outcomes.
B. Introducing judgment generally diminishes management's ability to make good decisions about internal control.
C. It is inappropriate for management to exercise judgement in areas such as specifying and using suitable accounting principles.
D. It is inappropriate for management to exercise judgement in assessing whether components are present, functioning, and operating together
Answer: A (LEAVE A REPLY)
The use of judgment in designing, implementing, and conducting internal control is essential and enhances management's ability to tailor controls to the organization's unique circumstances, thereby making better decisions. However, it cannot guarantee perfect outcomes as it involves estimating and forecasting future conditions, which are inherently uncertain.
COSO Internal Control Framework

NEW QUESTION: 115
Considering the concepts of organization wide risk management and the system of internal controls, the internal audit activity as a whole can be considered which of the following types of control?
A. Transaction-level control.
B. Management-oversight control.
C. Governance control.
D. Process-level control.
Answer: C (LEAVE A REPLY)

The internal audit activity can be considered a type of governance control. Governance controls are those that are designed to ensure that the overall direction, administration, and control of an organization are maintained.
The internal audit provides assurance on the effectiveness of governance, risk management, and internal controls.
The IIA's guidance on the role of internal auditing in enterprise-wide risk management.

NEW QUESTION: 116
An internal audit team was assigned to review the organization's information security protocol After fieldwork was completed an internal auditor identified an error in the review of security access The error could affect the overall results of the engagement Which of the following is the most appropriate course of action for the internal auditor?
A. Proceed with addressing the error and report any corrections to the engagement supervisor during the scheduled exit meeting
B. Issue the audit report to senior management on schedule but include a disclaimer about the error
C. Proceed with the scheduled closing of the engagement without consideration of the identified error
D. Inform the engagement supervisor of the error and allow the supervisor to determine the appropriate action to take
Answer: D (LEAVE A REPLY)
The most appropriate course of action when an internal auditor identifies an error that could affect the overall results of the engagement is to inform the engagement supervisor of the error and allow the supervisor to determine the appropriate action to take. This approach ensures that the error is addressed according to the internal audit's standard procedures and maintains the integrity and accuracy of the audit report. References:
IIA Standards on supervision and due professional care, which require that issues identified during audit engagements be escalated appropriately to ensure accurate and reliable audit results.

NEW QUESTION: 117
Which of the following statements is true with regard to the quality assurance and improvement program (GAIP)?
A. As the head of the organization, the CEO selects and appoints the external quality assessment team to perform the OAIP reviews.
B. The chief audit executive determines the scope and frequency of both internal and external quality assessments based on the availability and capacity of resources in accordance with the annual internal audit plan.
C. Minutes of meetings held with senior management and the board to discuss the scope and frequency of internal and external assessments support the OAIP reporting requirement.

D. The internal audit activity needs to assess whether each engagement on the annual internal audit plan is conducted in conformance with the Standards.

Answer: D (LEAVE A REPLY)

The true statement with regard to the quality assurance and improvement program (QAIP) is that the internal audit activity needs to assess whether each engagement on the annual internal audit plan is conducted in conformance with the Standards. This assessment is part of the ongoing monitoring of the internal audit activity's performance, ensuring adherence to the IIA's Standards for the Professional Practice of Internal Auditing.
The IIA's International Standards for the Professional Practice of Internal Auditing, specifically those pertaining to quality assurance and improvement.

NEW QUESTION: 118

An internal auditor has documented several instances in which management asked employees to ad against the policies and procedures. Which of the following is the most appropriate next step?

A. Report the non-compliance cases to the board of directors.

B. Recommend that management update its policies and procedures based on the circumstances.

C. Investigate the rationale for management's actions.

D. Recommend those employees to report the cases through the designed whistleblowing channel for the appropriate treatment.

Answer: C (LEAVE A REPLY)

Before taking further action, the internal auditor should understand why management asked employees to act against policies and procedures. This could reveal underlying issues or misunderstandings that need to be addressed. References:

* IIA's International Standards for the Professional Practice of Internal Auditing.
* COSO Framework on Monitoring and Risk Assessment.

NEW QUESTION: 119

Which of the following would be the most appropriate first step for the board to take when developing an effective system of governance?

A. Determine the organization's overall risk appetite.

B. Establish a governance committee.

C. Delegate authority to members of senior management.

D. Identify key stakeholders and their expectations

Answer: D (LEAVE A REPLY)

The most appropriate first step for the board to take when developing an effective system of governance is to identify key stakeholders and their expectations. Understanding stakeholders' expectations is fundamental to defining the governance framework that aligns with these needs and establishing the organization's strategic objectives and policies.

IIA guidance on effective governance frameworks.

NEW QUESTION: 120

In which of the following ways can a chief audit executive demonstrate to the board that the internal audit activity collectively possesses all of the skills needed to complete its annual goals?

A. Involve board members in hiring activities and request advice.

B. Require all internal audit staff to complete the same training course on a general audit subject,

C. Require senior auditors to obtain a professional certification.

D. Provide a competency assessment of the internal audit staff.

Answer: D (LEAVE A REPLY)

The most effective way a chief audit executive (CAE) can demonstrate to the board that the internal audit team has the necessary skills to achieve its annual goals is through a competency assessment. This assessment measures and documents the collective skills and knowledge within the internal audit activity, ensuring they align with the requirements of the audit plan and the organization's objectives. Competency assessments can identify gaps and provide a basis for training and development, making it an essential tool for demonstrating capability.

The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 121

Which of the following statements is true with regard to services provided by the internal audit activity?

A. For consulting engagements, internal auditors do not need to be alert to control issues.

B. Assurance and consulting services have similar objectives.

C. Internal auditors may not perform assurance and consulting roles at the same time.

D. Both assurance and consulting engagements require a final engagement report

Answer: D (LEAVE A REPLY)

According to IIA standards, both assurance and consulting engagements require a final engagement report.

This report communicates the results and recommendations of the internal audit activity ' s findings, regardless of the type of engagement. The final engagement report is critical for ensuring transparency and accountability in both assurance and consulting services, providing essential feedback to stakeholders.

The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 122
Regarding the chief audit executive (CAE). which ot the following is considered an impairment to the independence of the internal audit activity?
A. The CAE reports administratively to the CEO.
B. The CAE is asked to submit the liquidation of her travel allowances to human resources for approval.
C. The CAE's supervisor is responsible for the risk management function.
D. The CAE is asked to review new procedures before implementation.
Answer: C (LEAVE A REPLY)
An impairment to independence occurs when the CAE's supervisor is responsible for functions that the CAE may need to audit. This dual responsibility can create a conflict of interest and impact the objectivity of the internal audit activity. References:
* IIA Standard 1110: Organizational Independence.
* IIA Practice Guide: Independence and Objectivity.

NEW QUESTION: 123
What is an appropriate first step in an internal auditor's fraud risk assessment to evaluate how the organization manages such risk?
A. Develop preventive and detective controls
B. Identify potential fraud scenarios
C. Assess the impact and likelihood of fraud risks
D. Determine fraud risk responses
Answer: B (LEAVE A REPLY)
An appropriate first step in an internal auditor's fraud risk assessment to evaluate how the organization manages such risk is to identify potential fraud scenarios. This step involves understanding possible fraud schemes and fraudulent acts that could occur within the organization and is essential before assessing the impact, likelihood, or developing appropriate responses.
Institute of Internal Auditors (IIA) - Practice Guide: Assessing Fraud Risks and Developing a Fraud Risk Management Program

NEW QUESTION: 124

A financial services organization ' s board is assessing increased regulations and its effect on current industry lending practices. Which of the following committees would help the board identify and assess the effects of the increased regulations?

A. Quality committee.

B. Audit committee.

C. Risk committee.

D. Governance committee.

Answer: C (LEAVE A REPLY)

The risk committee is best suited to help the board identify and assess the effects of increased regulations on current industry lending practices. The risk committee focuses on overseeing the organization ' s risk management policies and procedures, ensuring that all risks, including regulatory risks, are identified, assessed, and managed appropriately. This committee is responsible for understanding the implications of regulatory changes and advising the board on how these changes may impact the organization ' s operations and strategic objectives.

The IIA's Practice Guide on Risk Management.

COSO's Enterprise Risk Management Framework.

NEW QUESTION: 125

Which of the following is the primary benefit of establishing a formal training program for the internal audit activity?

A. It is useful to reinforce the independence of the internal audit activity.

B. It is useful to guide internal auditors as they perform specific engagements.

C. It is useful to maintain the skills and competencies of internal audit staff.

D. It is useful to measure the effectiveness and maturity of the internal audit activity.

Answer: C (LEAVE A REPLY)

A formal training program is essential for maintaining and enhancing the skills and competencies of internal audit staff. IIA guidance encourages continuous learning to ensure auditors remain proficient and up-to-date with auditing standards and practices.

NEW QUESTION: 126

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: (SHOW ANSWER)

Having internal auditors rotate to other areas of the organization for non-audit assignments poses the greatest risk of compromising audit objectivity. This practice can lead to conflicts of interest and familiarity threats, as auditors may become too closely aligned with the operations of the areas they audit later, potentially impairing their impartiality and independent judgment.

IIA Standards on objectivity and independence; guidelines on auditor rotation and non-audit assignments.

NEW QUESTION: 127

Which of the following tests would most likely help discover a fictitious invoice?

A. Compare vendor addresses to employee addresses.

B. Match cancelled checks to invoices.

C. Search for duplicate payment amounts.

D. Check employee bank records against invoice amounts.

Answer: A (LEAVE A REPLY)

Comparing vendor addresses to employee addresses is a common audit test to detect fictitious invoices.

Fictitious invoices are often created by employees who use their addresses or addresses of associates as vendor addresses to facilitate fraud.

* Option B: Matching cancelled checks to invoices ensures payment was made but does not specifically detect fictitious invoices.

* Option C: Searching for duplicate payments addresses duplicate invoices but not necessarily fictitious ones.

* Option D: Checking employee bank records could indicate fraud but is invasive and less direct than comparing addresses.

IIA Practice Guide: Fraud Detection.

COSO Fraud Risk Management Guide.

NEW QUESTION: 128

According to IIA guidance, which of the following is the most accurate statement regarding the internal audit charter?

A. The IIA's Code of Ethics must exist outside of the charter to maintain independence.

B. The charter must be approved by both senior management and the board.

C. The nature of consulting services does not need to be defined in the internal audit charter.

D. The charter provides a framework for performing a broad range of value-added audit services.

Answer: B (LEAVE A REPLY)

According to the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA), the internal audit charter must be formally approved by senior management and the board.
This requirement ensures that the internal audit activity has the appropriate authority, support, and independence to carry out its responsibilities effectively. The charter defines the purpose, authority, and responsibility of the internal audit activity, providing a clear framework for its operations and ensuring alignment with the organization's objectives and governance structures.
The IIA Standards: Standard 1000 - Purpose, Authority, and Responsibility: "The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval."

NEW QUESTION: 129
Which of the following requests, if accepted by the internal audit activity, would impair its independence?
A. A request to develop workshops on corporate governance for management.
B. A request to act as liaison with external auditors.
C. A request to determine appropriate risk management responses for management.
D. A request to provide counseling services on ethical matters.
Answer: (SHOW ANSWER)
If the internal audit activity accepts a request to determine appropriate risk management responses for management, it would impair its independence. The role of internal audit is to provide assurance and consulting services, but not to take on management responsibilities such as making decisions on risk responses. Doing so would compromise the objectivity and independence required of the internal audit function. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1100 - Independence and Objectivity, and Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing.

NEW QUESTION: 130
Which of the following best demonstrates that the internal audit activity is using due professional care?
A. The internal audit activity reports directly to the board on the engagements it performs.
B. Internal auditors undertake the necessary training to complete their audit work.
C. The completion of engagements is based on the assumption that fraudulent activities may exist.
D. Internal auditors consider the use of technology-based audit and other data analysts techniques
Answer: B (LEAVE A REPLY)

The use of due professional care by the internal audit activity is best demonstrated by internal auditors undertaking the necessary training to complete their audit work. Due professional care involves applying the diligence and judgment needed to conduct audits effectively. This includes continuous training and development to ensure auditors are proficient in their field and up-to-date with relevant audit standards, technologies, and methodologies, which aligns with the International Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors (IIA).
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 131
What is the ultimate goal of establishing a robust risk management framework in an organization?
A. To support the organization's risk culture, involving employees at all levels.
B. To ensure that the organization attains a better financial position.
C. To assist the organization in identifying and mitigating key risks.
D. To facilitate the organization's achievement of business goals and objectives.
Answer: D (LEAVE A REPLY)
The ultimate goal of establishing a robust risk management framework in an organization is to facilitate the achievement of the organization's business goals and objectives. A comprehensive risk management framework helps identify, assess, and mitigate risks that could impede the organization's ability to achieve its strategic objectives, ensuring that risks are managed in a way that supports the organization's overall mission and goals.
The IIA Standards: Standard 2120 - Risk Management: "The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes." COSO Framework: Emphasizes that the purpose of risk management is to help organizations achieve their objectives and enhance performance through effective risk management practices.

NEW QUESTION: 132
Which action by senior management indicates to the internal auditor that there may be fraudulent activities occurring within the organization?
A. Setting unrealistic targets for staff to achieve
B. Granting external audit firms access to staff and records.
C. Automating some processes and allowing others to be performed manually
D. Enforcing a zero-tolerance policy for misconduct
Answer: A (LEAVE A REPLY)
Setting unrealistic targets for staff to achieve is a potential red flag indicating that there may be fraudulent activities occurring within the organization. When senior management sets targets that are unattainable, it can create pressure on employees to engage in unethical or fraudulent behavior to meet these goals. This is one of the elements of the

fraud triangle (pressure, opportunity, and rationalization) that can lead to fraudulent activities.
IIA Practice Guide: Fraud and Internal Audit
COSO Fraud Risk Management Guide

NEW QUESTION: 133
Who has the ultimate responsibility of implementing the organization's governance system?
A. Stakeholders
B. The board
C. The chief executive officer
D. Internal auditors
Answer: B (LEAVE A REPLY)
The board of directors has the ultimate responsibility for implementing the organization's governance system.
This includes overseeing the strategic direction and accountability mechanisms that align with good governance practices. The board ensures that governance structures and principles are clearly defined and effectively implemented, providing oversight to management activities. References: Corporate governance principles and guidelines, which often highlight the role of the board in setting and maintaining effective governance systems.

NEW QUESTION: 134
A large commercial bank was fined by regulators for fraudulent practices when employees, over a period of time, opened thousands of new accounts for existing clients without the clients' consent. It was later found that employees were given unrealistic new account targets and were aggressively monitored by management on a daily basis.
Which of the following controls would have most likely reduced the likelihood of the fraudulent practice from occurring?
A. An evaluation of the current performance and compensation program.
B. The performance of background investigations on all existing employees.
C. The availability of fraud training to all employees.
D. The availability of an employee whistleblower hotline
Answer: A (LEAVE A REPLY)
An evaluation of the current performance and compensation program would be the most effective control to address the underlying cause of fraudulent behavior described. The pressures from unrealistic targets and aggressive monitoring likely encouraged employees to engage in fraudulent account openings. By evaluating and potentially revising these targets and the associated compensation schemes, the bank could mitigate the pressures that lead to such unethical behaviors.

Standards on the role of internal control systems in preventing and detecting fraud, including guidance on managing performance and compensation to align with ethical standards.

NEW QUESTION: 135
Which of the following is a detective control?
A. An organization requires certain employees who occupy sensitive positions to sign attestation to the code of conduct on an annual basis.
B. A compliance specialist carries out quarterly reviews of an organization's compliance with regulatory requirements.
C. A front desk officer in an organization requires that visitors are identified by the host before access is granted.
D. An internal audit activity deploys audit management policies and procedures for team members.
Answer: (SHOW ANSWER)
A detective control is designed to identify and correct errors or irregularities that have occurred. A compliance specialist conducting quarterly reviews fits this definition as it involves monitoring and detecting non-compliance issues after they have occurred, allowing for corrective actions to be taken. References:
* COSO Internal Control Framework and the IIA's guidance on types of controls.

NEW QUESTION: 136
Which of the following would be the most suitable internal control framework for an organization to adopt?
A. A framework that specifies common best practices for an organization to evaluate and benchmark.
B. A framework that specifies correct and incorrect business methodologies.
C. A framework with precise specifications for how controls and processes should be employed.
D. A framework that offers step-by-step guidance for remedial action for all organization types.
Answer: A (LEAVE A REPLY)
The most suitable internal control framework for an organization is one that specifies common best practices for the organization to evaluate and benchmark. This type of framework provides a structured approach to assess and enhance their control environment by aligning it with recognized best practices, facilitating continuous improvement, and enabling benchmarking against industry standards or peer organizations.
References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 137
According to IIA guidance which of the following statements is true regarding the internal audit charier?
A. The charier should be revised and re-approved whenever a new chief audit executive (CAE) is appointed or at the request of the board
B. The charier should be re-approved every five years, in conjunction with the external quality assessment
C. The charier can be revised at the discretion of the CAE whenever 4 is determined that its content no longer supports the achievement of objectives
D. The charier should be reviewed and resubmitted for board approval annually together with the audit plan
Answer: D (LEAVE A REPLY)
According to IIA guidance, it is a best practice for the internal audit charter to be reviewed and resubmitted for board approval annually, along with the audit plan. This annual review ensures that the charter remains relevant and aligned with the organization's objectives and governance structure. It also provides an opportunity to update the charter to reflect any changes in the internal audit activity's role, responsibilities, or scope of work. This process helps maintain the charter as a living document that accurately defines the purpose, authority, and responsibility of the internal audit function.
The IIA Standards: Standard 1000 - Purpose, Authority, and Responsibility: "The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval." The IIA Practice Guide: "Internal Audit Charter: Understanding

NEW QUESTION: 138
An organization's board of directors has decided that the internal audit activity must have greater access to different pans of the organization in order to perform their assurance work effectively Which of !he following areas is the board seeking to improve by making this change?
A. Internal audit authority.
B. Internal audit reporting structure.
C. Internal audit independence and objectivity.

D. Internal audit interaction with the board

Answer: A (LEAVE A REPLY)

By deciding that the internal audit activity must have greater access to different parts of the organization, the board of directors is primarily seeking to improve the internal audit authority. This change aims to empower the internal audit activity with the necessary access to records, personnel, and physical properties to conduct thorough and effective assurance work, thereby enhancing the scope and depth of audits.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 139

An internal auditor was offered expensive tickets to a sporting event by the manager of an area that she was currently auditing. The auditor politely declined. Which of the following fundamental principles of the MA Code of Ethics did she display?

A. Confidentiality.

B. Independence.

C. Competency.

D. Objectivity

Answer: D (LEAVE A REPLY)

By declining the offer of expensive tickets from the manager of an area currently being audited, the internal auditor demonstrated objectivity. Objectivity is a fundamental principle of the IIA Code of Ethics, which requires auditors to make unbiased and impartial judgments during their audits. Accepting gifts could compromise the auditor's ability to remain impartial, thereby affecting their objectivity.
IIA Code of Ethics.

NEW QUESTION: 140

In which of the following scenarios would it be appropriate for the chief audit executive (CAE) to report that the internal audit activity conforms with the Standards?

A. It A new internal audit activity was formed four years ago. An external assessment was never performed, but successive internal assessments were performed and support the conclusion that the internal audit activity conforms with the Standards

B. An internal self-assessment completed yesterday found that the internal audit activity did not conform with the Standards when carrying out its work. However, the preceding independent external assessment supports the conclusion that the internal audit activity conforms with the Standards.

C. To reduce costs, the CAE excluded the use of external assessors from the internal audit activity ' s quality assurance and improvement program for the past seven years.However, the CAE concluded that the internal audit activity conforms with the Standards because all internal assessments over the period have supported this conclusion.

D. The results of the last external assessment of the internal audit activity, performed a little over five years ago, indicated that the internal audit activity conforms with the

Standards. The most recent internal assessment performed within the past year also indicates conformance.

Answer: D (LEAVE A REPLY)

According to the IIA ' s standards, a chief audit executive (CAE) can report that the internal audit activity conforms with the Standards if external assessments are performed at least once every five years and supported by ongoing internal assessments. In this scenario, the most recent external and internal assessments confirm conformance, which allows the CAE to report conformance with the Standards.

The IIA ' s International Standards for the Professional Practice of Internal Auditing, particularly the standards related to quality assurance and improvement programs.

NEW QUESTION: 141

Senior management has requested that the internal audit activity review and amend policies where necessary when auditing the purchasing department. To which of the following would the chief audit executive most likely give primary consideration when responding to this request?

A. Auditor competency.

B. Internal audit independence.

C. Auditor objectivity.

D. Engagement scope.

Answer: (SHOW ANSWER)

In responding to a request from senior management for the internal audit activity to review and amend policies when auditing the purchasing department, the chief audit executive would most likely give primary consideration to maintaining internal audit independence. This request potentially places the internal audit activity into a management role, which could impair its independence and the ability to perform unbiased audits in the future. According to IIA standards, internal auditors should avoid taking on operational responsibilities to preserve their independence.

IIA Standards on independence and objectivity.

NEW QUESTION: 142

Which of the following statements best describes the difference between risk appetite and risk tolerance?

A. Risk appetite applies to specific objectives, while risk tolerance refers to an organization's general attitude toward risk,

B. Risk appetite refers to the degree of risk acceptance for a particular objective, while risk tolerance is one approach to risk management.

C. Risk appetite refers to an organization's general level of acceptance, while risk tolerance is a more specific and subordinate concept.

D. There is no significant difference between the two terms.

Answer: C (LEAVE A REPLY)

The statement that best describes the difference between risk appetite and risk tolerance is that risk appetite refers to an organization's general level of acceptance of risk, while risk tolerance is a more specific and subordinate concept. Risk appetite is the broad-based amount of risk an organization is willing to accept in pursuit of its mission, while risk tolerance defines the acceptable level of variation that management is willing to allow for any particular risk as it pursues its objectives.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 143
Which of the following is (he most effective way any organization can ensure proper governance over its internal controls?
A. By adopting the best practices of similar organizations in the industry.
B. By adjusting their internal control framework as business practices evolve.
C. By introducing the universally accepted COSO internal control framework.
D. By encouraging the internal audit activity to provide training on internal controls.
Answer: C (LEAVE A REPLY)
The most effective way for an organization to ensure proper governance over its internal controls is by adopting the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework. The COSO framework is widely recognized and provides a comprehensive structure for designing, implementing, and conducting internal control and assessing its effectiveness. It helps organizations to achieve their objectives in operations, reporting, and compliance by addressing components such as control environment, risk assessment, control activities, information and communication, and monitoring activities. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2100 - Nature of Work, and COSO's Internal Control - Integrated Framework.

NEW QUESTION: 144
Which of the following activities aligns with The IIA's Core Principles for the Professional Practice of Internal Auditing?
A. The chief audit executive reports to senior management for compensation decisions and communications of audit results to the board
B. Final reports from consulting engagements show the summary of findings, and the internal auditor's advice is clearly distinct and separate from management's decisions
C. Internal auditors rotate through operations and management positions then perform audit engagements on these areas to ensure timely application of their knowledge
D. Due to limited resources, internal auditors prioritize assurance on internal controls and risk management and exclude evaluating governance processes, which are deemed outside of their core responsibilities
Answer: (SHOW ANSWER)

According to The IIA's Core Principles for the Professional Practice of Internal Auditing, one of the key principles is that internal auditors should be objective and free from undue influence (independence). The correct option that aligns with these principles is B, where final reports from consulting engagements provide a summary of findings and ensure that the auditor's advice is distinctly separated from management's decisions. This separation supports the principle of objectivity and avoids conflicts of interest, which is fundamental in upholding the integrity and independence of the internal audit function.
The IIA's Core Principles for the Professional Practice of Internal Auditing

NEW QUESTION: 145

Which of the following statements best represents the duo professional care that is required of internal auditor' s?

A. Internal auditors should perform assurance procedures to ensure that all significant risks are identified.

B. Internal auditor should not perform consulting engagements for operations for which they had previous responsibilities.

C. Internal auditors should consider the cost of assurance in relation to the potential benefits.

D. Internal auditors should device internal audit programs to confirm that the results are accurate.

Answer: (SHOW ANSWER)

Due professional care required of internal auditors includes considering the cost of assurance in relation to potential benefits. This reflects the need to balance resource expenditure against the significance and risk of the audit area, ensuring that audit efforts are both efficient and effective. This principle is a fundamental aspect of professional judgment and prudent decision-making in internal auditing.
IIA Standard on Due Professional Care.

NEW QUESTION: 146

Which of the following scenarios most likely indicates that the organization is not managing risks effectively?

A. Securities market oversight authorities fined the organization for not disclosing significant transactions with a related party.

B. A construction project is significantly delayed due to an unexpected global pandemic.

C. Senior management terminated contracts with certain solar panel manufacturers due to potential allegations of child labor usage.

D. A local community filed a lawsuit against a wind farm developer even though the developer complied with all legal requirements.

Answer: (SHOW ANSWER)

Effective risk management offers the potential to reduce both the possibility of a risk occurring and its potential impact. Option A is the most likely scenario that indicates that the organization is not managing risks effectively, because it shows that the organization failed to comply with the disclosure requirements and exposed itself to regulatory fines and reputational damages. The other options involve external factors beyond the organization's control or showcase proactive management of an identified risk.

NEW QUESTION: 147

Which of the following is a control that is used mainly to check the integrity of data entered into a business application, whether the data is entered directly by staff, remotely by a business partner, or through a web- enabled application?

A. General IT control.

B. Processing control.

C. Input control

D. Integrity control

Answer: C (LEAVE A REPLY)

Input controls are designed to ensure the accuracy, completeness, and validity of data entered into a business application. These controls can include validation checks, input masks, and error detection methods that verify data at the point of entry. Whether data is entered directly by staff, remotely by business partners, or through web-enabled applications, input controls help maintain the integrity of the data by preventing errors and unauthorized input. These controls are crucial in maintaining data quality and integrity in any business application.

The IIA's Global Technology Audit Guide (GTAG) on Information Technology Controls.

COBIT 5 Framework on Information and Technology Governance.

NEW QUESTION: 148

The internal audit activity is responsible for which of the following actions related to an organization's internal controls?

A. Mitigating risks affecting achievement of organizational objectives.

B. Enabling opportunities affecting achievement of organizational objectives.

C. Analyzing and advising regarding costs versus benefits of control activities,

D. Attesting to fairness of financial statements.

Answer: (SHOW ANSWER)

The primary role of the internal audit activity in relation to an organization's internal controls is to provide an independent evaluation of risk management processes and internal control systems. This involves analyzing and advising on the costs versus benefits of control activities, ensuring that the controls are not only effective but also efficient in mitigating risks.

IIA Performance Standard 2130 - Control

NEW QUESTION: 149

The internal audit activity is responsible for conducting fraud investigations. A potential fraud instance was identified during an audit engagement. The chief audit executive appoints a lead investigator. Which of the following would most likely be the next step?
A. Ask internal auditors to gather all relevant information and evidence.
B. Identify and interview witnesses first and potential suspects later.
C. Conduct a fraud risk assessment to identify the most vulnerable areas.
D. Determine the competencies needed and assess whether team members have a conflict of Interest.
Answer: D (LEAVE A REPLY)
When a potential fraud instance is identified, the chief audit executive (CAE) appoints a lead investigator to manage the investigation. The next critical step is to determine the competencies needed for the investigation and assess whether the team members have any conflicts of interest. This ensures that the investigation team has the appropriate skills, knowledge, and objectivity to handle the case effectively. Ensuring there are no conflicts of interest is vital to maintain the integrity and credibility of the investigation process.
IIA Practice Guide: Internal Auditing and Fraud
IIA Standard 1210: Proficiency
IIA Standard 1120: Individual Objectivity

NEW QUESTION: 150
Which of the following is a primary responsibility of senior management with respect to ethical violations?
A. Senior management provides oversight for the organization's ethical climate.
B. Senior management promotes an ethical culture in the organization.
C. Senior management assesses the effectiveness of the organization's ethical programs.
D. Senior management reviews major ethical policies in the organization for compliance
Answer: (SHOW ANSWER)
A primary responsibility of senior management with respect to ethical violations is to promote an ethical culture in the organization. Senior management's role includes setting the tone at the top, demonstrating ethical behavior, and ensuring that ethical standards are communicated and enforced throughout the organization.
IIA guidance and corporate governance frameworks which emphasize the role of senior management in fostering and maintaining an ethical organizational climate.

NEW QUESTION: 151
The chief audit executive (CAE) of a new internal audit activity is creating an internal audit charter According to IIA guidance, which of the following terms is most likely to be included in the charter?
A. Senior management will be present whenever the CAE interacts with the board, to ensure effective communication among all three parties.

B. Internal auditors will advise on the design of control policies and procedures in any area where the organization does not possess the requisite expertise,
C. Internal auditors will demonstrate competence, concern, and the dedication expected of a professional,
D. Internal auditors will receive performance-based compensation, including bonuses for reporting more than a stipulated number of observations.
Answer: C (LEAVE A REPLY)
According to IIA guidance, an internal audit charter would likely include a statement that internal auditors will demonstrate competence, concern, and the dedication expected of a professional. This aligns with the IIA
' s Code of Ethics and Standards, which emphasize the professional demeanor and commitment required from internal auditors.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing and Code of Ethics.

NEW QUESTION: 152
Which of the following statements represents the most appropriate correlation between an organization's risk maturity and the internal audit activity's consulting role in risk management processes?
A. When an organization has a high level of risk maturity the internal audit activity is less likely to provide consulting services related to risk management
B. When an organization has a low level of risk maturity, the internal audit activity is less likely to provide consulting services related to risk management
C. When an organization has a high level of risk maturity the internal audit activity is more likely to provide consulting services related to risk management
D. There is typically no correlation between an organization's risk maturity and the extent to which the internal audit activity's consulting role in risk management processes
Answer: A (LEAVE A REPLY)
When an organization has a high level of risk maturity, the internal audit activity is less likely to provide consulting services related to risk management. In highly mature risk environments, organizations typically have well-established risk management processes and capabilities, thereby reducing the need for consulting services from internal audit in

this area. Instead, internal audit may focus more on assurance services over the existing risk management processes to ensure they are functioning as intended.
Risk management and internal audit literature discussing the relationship between organizational risk maturity and the role of internal audit.

NEW QUESTION: 153
Due to toe increased operational responsibility of the CEO. The chief audit executive (CAE) of an organization currently reports to the chief financial officer (CFO). What is the likely imped of such a situation?
A. There may be limitation m the scope of engagements that can be undertaken
B. The CPO could provide expert advice when auditing areas under his purview
C. The internal audit activity is adequately positioned when the CAE reports to a member of executive management
D. The expense of finance staff can be catted upon during an audit of finance-related areas
Answer: A (LEAVE A REPLY)
When the chief audit executive (CAE) reports to the chief financial officer (CFO), it can create a potential conflict of interest and impair the independence of the internal audit activity. This reporting structure may lead to limitations in the scope of engagements, particularly when auditing areas under the CFO's purview.
Independence and objectivity are critical for the effectiveness of internal auditing, and reporting to the CFO can undermine these principles, restricting the ability to audit financial and other related areas without bias or undue influence.
The IIA Standards: Standard 1110 - Organizational Independence: "The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity." IIA Practice Guide: "Independence and Objectivity": Discusses the importance of appropriate reporting lines to maintain audit independence and avoid conflicts of interest.

NEW QUESTION: 154
Which of the following is an example of a risk reduction strategy?
A. Outsourcing the payroll function.
B. Absorbing the cost of losses.
C. Insuring fixed assets.
D. Installing cameras around the plant
Answer: C (LEAVE A REPLY)
Insuring fixed assets is an example of a risk reduction strategy known as risk transfer. By taking out insurance, an organization transfers the financial risk associated with damage or loss of assets to an insurance company. This strategy effectively reduces the organization ' s exposure to potential losses from such risks.

Risk management frameworks and strategies

NEW QUESTION: 155
Which of the following best illustrates the principle of due professional care?
A. The internal audit activity uses key performance indicators for all staff members after all audit engagements.
B. The internal auditors provide assurance to third parties indicating that their work was properly supervised.
C. The internal auditors demonstrate they have an understanding of engagement objectives and scope.
D. The internal auditors are heavily involved in training and development to enhance their skills.
Answer: (SHOW ANSWER)
Due professional care requires internal auditors to understand the engagement objectives and scope fully, ensuring their work is thorough and appropriate for the given situation. It involves exercising appropriate diligence and professionalism during audits. References:
* IIA Standard 1220: Due Professional Care.
* IIA Practice Guide: Demonstrating Due Professional Care.

NEW QUESTION: 156
Which of the following statements is true regarding electronic funds transfer (EFT)?
A. EFT is a popular mechanism for improving efficiency, but results in less internal control.
B. EFT significantly reduces the risk of fraud by eliminating the need for authorizations.
C. EFT eliminates payment delays due mostly to the introduction of automated cash controls,
D. EFT makes use of numerous automated controls, but is still vulnerable to fraudulent accounting entries.
Answer: D (LEAVE A REPLY)
Electronic funds transfer (EFT) makes use of numerous automated controls, which improve efficiency and reduce the risk of some types of fraud. However, it is still vulnerable to fraudulent accounting entries, such as those arising from overriding existing controls or exploiting security weaknesses. Therefore, while EFT systems incorporate significant controls, they do not completely eliminate the risk of fraud.References: Best practices and guidelines on electronic funds transfer from financial management and information systems security sources.

NEW QUESTION: 157
Which of the following is an example of impairment to internal auditor independence or objectivity ' ?
A. Assurance engagements for functions over which the chief audit executive (CAE) has responsibility are overseen by a party outside the internal audit activity

B. Internal auditors provide consulting services relating to operations for which they had previous responsibilities
C. Internal auditors provide consulting services relating to operations for which they have current responsibilities
D. Consulting engagements for functions over which the CAE has responsibility are overseen by a party outside the internal audit activity
Answer: C (LEAVE A REPLY)
An example of impairment to internal auditor independence or objectivity is when internal auditors provide consulting services relating to operations for which they have current responsibilities. This creates a direct conflict of interest as the auditor is assessing parts of the organization for which they are responsible, potentially compromising their ability to remain objective and unbiased.
The IIA ' s Code of Ethics and International Standards for the Professional Practice of Internal Auditing, particularly standards related to objectivity and independence.

NEW QUESTION: 158
Which of the following would show appropriate disclosure of nonconformance with the Standards?
A. The CAE discussed with the board an issue regarding the internal audit activity performing an IT engagement without proper skills and knowledge.
B. The CAE met with the peer review team to discuss an internal auditor's failure to meet the annual requirements for continuing professional education.
C. The CAE revealed to operational managers that he failed to appropriately consider risks while he was developing the audit plan.
D. The chief audit executive (CAE) documented in the personnel file a critical conflict of interest involving an internal auditor on an upcoming contracting engagement.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 159
IT management requires all employees in the IT department to attend annual training on the department's mission, values, and key performance measures. This activity is designed to prevent which of the following conditions?
A. Monitoring gap.
B. Accountability/reward failure.
C. Communication failure.
D. Knowledge/skills gap.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 160
Which of the following describes a primary responsibility for the internal audit activity in helping management maintain effective controls?

A. Promoting continuous evaluation
B. Promoting continuous monitoring
C. Promoting continuous improvement
D. Promoting continuous reporting
Answer: B (LEAVE A REPLY)
The primary responsibility for the internal audit activity in helping management maintain effective controls is promoting continuous monitoring. Continuous monitoring involves regularly reviewing control processes and performance to ensure they are effective and making adjustments as necessary. This proactive approach enables the internal audit activity to assist management in maintaining a robust control environment that can adapt to changes in the organization or its external environment.
The IIA ' s International Standards for the Professional Practice of Internal Auditing regarding monitoring and control.

NEW QUESTION: 161
Which type of engagement requires that the client agrees with the techniques used by the internal audit activity?
A. A performance audit.
B. A sensitive fraud investigation.
C. A compliance audit
D. A consulting service.
Answer: D (LEAVE A REPLY)
A consulting service is the type of engagement that requires the client to agree with the techniques used by the internal audit activity. In consulting engagements, the scope and objectives, as well as the methodology and techniques to be used, are agreed upon with the client to ensure that the services meet their needs and expectations.
IIA International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 162
With regard to organizational governance assurance, which of the following is an appropriate role for the internal audit activity ' ?
A. Assess compliance with the organization ' s code of conduct
B. Oversee the governance and risk management processes
C. Initiate new organizational control processes
D. Provide advice on organizational governance activities
Answer: A (LEAVE A REPLY)
The internal audit activity ' s appropriate role with regard to organizational governance assurance includes assessing compliance with the organization ' s code of conduct. This involves evaluating whether the organization ' s actions align with its stated ethical standards and conduct guidelines. This role is fundamental to assurance services,

ensuring that governance processes reflect and enforce the organization ' s values and ethical standards as outlined in its code of conduct.
IIA Standard 2110 - Governance

NEW QUESTION: 163
During a complex financial compliance engagement, a senior internal auditor determines that current audit procedures are not sufficient for adequate testing She consults with a colleague and learns that a spreadsheet application contains a helpful tool She proceeds to use the tool to properly complete the evaluation Which of the following best describes the core competency displayed by the senior auditor?
A. Business acumen
B. Persuasion and collaboration
C. Critical thinking
D. Communication
Answer: (SHOW ANSWER)
The core competency displayed by the senior auditor is critical thinking. This competency is demonstrated by her ability to identify a limitation in the current audit procedures and then effectively resolve the issue by using a new tool recommended by a colleague. Critical thinking involves the analysis and evaluation of an issue to form a judgment, which is crucial in adapting audit techniques to meet the demands of complex engagements.
IIA's Global Internal Audit Competency Framework

NEW QUESTION: 164
The internal audit activity was denied access to expenditure and budget reports because they were considered to be confidential. This situation would result in which of the following limitations of the internal audit activity?
A. Independence
B. Integrity
C. objectivity
D. Authority
Answer: D (LEAVE A REPLY)
Being denied access to necessary information such as expenditure and budget reports because they are considered confidential affects the authority of the internal audit activity. Authority, as granted by the audit charter, should include unrestricted access to all records and data required by the audit team to perform its duties effectively. Limitations on access impair the audit's scope and the auditors' ability to conduct thorough and complete audits.
References: IIA Standard 1110: Organizational Independence, which stresses the importance of internal auditors having appropriate and unrestricted access to information.

NEW QUESTION: 165

Which of the following describes the internal audit activity's most appropriate role in an organization's risk management process?
A. Reporting to the board on management's assessment of current risks
B. Establishing a risk management policy and framework for the organization
C. Assigning responsibility for identifying and managing significant risks
D. Developing key controls to mitigate risks across the organization
Answer: A (LEAVE A REPLY)
The most appropriate role for internal audit in an organization's risk management process is reporting to the board on management's assessment of current risks. This role involves providing assurance on the effectiveness of the organization's risk management processes, including the accuracy and effectiveness of management's risk assessment. Internal audit should not be directly involved in establishing risk management frameworks or developing controls, as these are management responsibilities.
The Institute of Internal Auditors (IIA) - Standards and Guidance on Risk Management

NEW QUESTION: 166
Under which of the following circumstances should the final audit report include a disclosure of nonconformance with the Standards?
A. An external quality assessment of the internal audit activity is performed only once every five years.
B. The internal auditor provided negative assurance, because he found no evidence of misconduct.
C. The annual internal audit plan includes some consulting engagements that are based on opportunities rather than risks to the organization.
D. A new internal auditor moved into the internal audit activity from the payroll department and was immediately assigned to the payroll audit.
Answer: D (LEAVE A REPLY)
The final audit report should include a disclosure of nonconformance with the Standards if a new internal auditor, who moved into the internal audit activity from the payroll department, is immediately assigned to the payroll audit. This scenario may compromise the auditor's objectivity due to their previous role and relationships within the payroll department.
The IIA's International Standards for the Professional Practice of Internal Auditing, particularly those related to objectivity and conflicts of interest.

NEW QUESTION: 167

Which of the following best demonstrates organizational independence of the internal audit activity?

A. The chief audit executive reports directly to the board

B. Internal auditors may not disclose personal data of the audit client

C. Internal auditors may not accept gifts from management of the area under review

D. Internal auditors must observe the law and make required disclosures

Answer: A (LEAVE A REPLY)

The organizational independence of the internal audit activity is best demonstrated when the Chief Audit Executive (CAE) reports directly to the board. This reporting relationship helps to maintain the independence of the internal audit function by providing a clear line of communication and accountability to the governing body that is separate from the management of the organization, thus avoiding potential conflicts of interest.

IIA Standard on Organizational Independence.

NEW QUESTION: 168

Which statement is accurate regarding reporting on the quality assurance and improvement program (OAIP) to conform with the International Standards for the Professional Practice of Internal Auditing?

A. The chief audit executive (CAE) should report all stages of the OAIP's development and key milestones.

B. The CAE should report only corrective action plans that meet external assessor or stakeholder requirements.

C. The CAE should establish the form and content of program communication so that it is in alignment with the internal audit activity charter.

D. The CAE should disclose program details only after both internal and external assessments have been completed.

Answer: A (LEAVE A REPLY)

According to the IIA Standards, the CAE should ensure transparency by reporting on all stages of the Quality Assurance and Improvement Program (QAIP), including development and key milestones. This continuous communication helps stakeholders understand the progress and effectiveness of the QAIP. References:

* IIA Standard 1320: Reporting on the Quality Assurance and Improvement Program.
* IIA Practice Guide: Quality Assurance and Improvement Program.

NEW QUESTION: 169

According to NA 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: (SHOW ANSWER)
According to guidance on corporate responsibility and sustainability, the primary reason to implement environmental and social safeguards within an organization is to achieve and maintain sustainable development. These safeguards help ensure that the organization ' s operations do not adversely affect the environment or society, supporting long-term sustainability goals, which is a core aspect of modern corporate governance and ethics.
Sustainability and environmental management guidance from international standards such as ISO 14001 and the Global Reporting Initiative (GRI).

NEW QUESTION: 170
A regional entertainment organization is in the process of developing a corporate social responsibility (CSR) policy. Management invites ideas from employees when developing the CSR policy. Which of the following is the most appropriate idea to include?
A. Management has overall responsibility for the effectiveness of governance, risk management, and internal control processes associated with CSR.
B. The board is responsible for ensuring that CSR objectives are established, risks are managed, performance is measured, and activities are appropriately monitored and reported.
C. Management is responsible for ensuring that the organization's CSR principles are communicated, understood, and integrated into decision-making processes.
D. Generally, CSR activities are limited to the management of the organization; thus, employees do not have a responsibility for ensuring the success of CSR objectives.
Answer: (SHOW ANSWER)
The most appropriate idea to include in the CSR policy is that management is responsible for ensuring that the organization's CSR principles are communicated, understood, and integrated into decision-making processes.
This aligns with good corporate governance practices which hold management accountable for embedding CSR into the corporate culture and daily operations of the organization, thus ensuring its effective implementation across all levels.
Corporate governance and CSR integration best practices as documented in business management literature.

NEW QUESTION: 171
Wi ch of the following circumstances would most likely be considered a potential red flag for fraud by the internal audit activity?
A. The monthly payroll reports are not vetted to ensure terminated employees have been removed from the payroll system

B. The volume of nonroutine journal entries has steadily increased over time.
C. The database of approved suppliers has not been reviewed the last year
D. The recent employee survey indicates that some employees remain unaware of the organization's whistieblower hotline.
Answer: (SHOW ANSWER)
The most likely potential red flag for fraud by the internal audit activity in the given scenarios is when monthly payroll reports are not vetted to ensure terminated employees have been removed from the payroll system. This situation can lead to payments to non-existent ("ghost") employees, a common fraud scheme, and represents a significant control weakness that could be exploited for fraudulent purposes.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 172
An organization ' s board recommends revising the internal audit charter by adding requirements regarding the hiring and compensation of the chief audit executive as well as information on approving the internal audit budget. Which of the following is the board most likely defining in the charter?
A. Functional and administrative responsibilities of internal audit activity.
B. Authority and objectivity of internal audit activity.
C. Independence and objectivity of internal audit activity.
D. Assurance and improvement of internal audit activity.
Answer: (SHOW ANSWER)
By recommending revisions to the internal audit charter that include requirements regarding the hiring and compensation of the chief audit executive and the approval of the internal audit budget, the board is most likely defining the functional and administrative responsibilities of the internal audit activity. These aspects pertain to the organizational structure and resource management within the internal audit function, which are fundamental to its operation and effectiveness.
IIA guidance on internal audit charters and governance.

NEW QUESTION: 173
Of all the common characteristics of frauds, which of the following can the organization influence the most?
A. Pressure or incentive.
B. Rationalization
C. Opportunity
D. Commitment.
Answer: C (LEAVE A REPLY)
In the context of fraud risk management, organizations have the most influence over "Opportunity," which is one of the elements of the fraud triangle (Pressure, Opportunity, Rationalization). Reducing opportunity can be achieved through internal controls,

segregation of duties, and active oversight, which are directly manageable by the organization. By limiting the chances for fraud to occur, an organization can significantly mitigate its fraud risk.
Institute of Internal Auditors (IIA) guidance on fraud risk management.

NEW QUESTION: 174
An organization allows the same individuals to physical access inventory and purchase new assets when supplies are depleted. Which of the following would best help the organization manage the risk of fraud?
A. Accounting personnel should regularly perform reconciliation between invoices and purchase orders
B. Accounting personnel should conduct a periodic inventory count and reconcile inventory movements
C. internal auditors should review Vie frequency and volume of purchased assets to detect trends in the inventory levels
D. Management should established a policy requiring new inventory asset purchases to be made on serialized order forms with copies retained
Answer: (SHOW ANSWER)
For an organization that allows the same individuals to access physical inventory and purchase new assets, conducting a periodic inventory count and reconciling inventory movements is the best way to manage the risk of fraud. This approach ensures that inventory records are accurate and allows discrepancies to be identified and investigated promptly, thereby providing a check against fraudulent activities or errors.
References: Best practices in internal control procedures for inventory management, as recommended by the Institute of Internal Auditors (IIA).

NEW QUESTION: 175
An accounts payable clerk who has access to the vendor master file replaced the payment details of a legitimate vendor with those of a friend before processing the payment through the organization's cashier.
Immediately afterward, he restored the original vendor information. Which of the following controls could have prevented this fraud?
A. Approval of master file change requests by the accounts payable supervisor
B. Comparison of the check register to original invoices.
C. Segregation of duties between accounts payable and the cashier.
D. Frequent issuance of account statements sent to the vendors.
Answer: A (LEAVE A REPLY)
Approval of master file change requests by the accounts payable supervisor could have prevented the fraud described. This control ensures that changes to critical financial information, such as vendor payment details, are verified and authorized by a responsible authority, thereby reducing the risk of unauthorized alterations and fraud.

IIA guidance on internal controls related to fraud prevention, which emphasizes the importance of control activities such as supervisory approvals for changes in critical financial data to prevent unauthorized transactions.

NEW QUESTION: 176

Which should the internal auditor first consider when assessing fraud risks during an engagement?

A. Compare the organizations fraud strategies with the industry's strategies.

B. Review any related prior fraud investigations.

C. Investigate any related fraud allegations.

D. Communicate any suspicious fraud activities to management.

Answer: (SHOW ANSWER)

When assessing fraud risks, internal auditors should first consider any prior fraud investigations related to the engagement. This approach helps in understanding the historical context of fraud within the organization and identifying patterns or recurring issues that need attention. Reviewing prior investigations (Option B) is a foundational step as it provides a basis for understanding past incidents and informs the assessment of current fraud risks. This is in line with the guidance provided by the IIA, which emphasizes understanding the history of fraud as a critical part of the risk assessment process.

IIA Practice Guide: Internal Auditing and Fraud

IIA Standards, Standard 1210.A2: Internal auditors must have sufficient knowledge to evaluate the risk of fraud

NEW QUESTION: 177

The level of authority for the internal audit activity is granted by which of the following?

A. The chief audit executive.

B. The internal audit charter.

C. The International Professional Practices Framework.

D. The IIA's Code of Ethics.

Answer: (SHOW ANSWER)

The internal audit charter formally grants the internal audit activity its authority, as per IIA standards. It outlines the audit function's scope, responsibilities, and independence within the organization.

NEW QUESTION: 178

At the beginning of an IT development project, key risks were identified and assessed, and risk owners were appointed. Six months later, the IT development team reported that the project is significantly over budget, it will not be completed on time, and key personnel had left the organization. Which of the following risk management practices should be improved for future projects?

A. Risk assessment

B. Risk avoidance
C. Risk monitoring
D. Risk response
Answer: C (LEAVE A REPLY)

NEW QUESTION: 179
With regard to the internal audit activity ' s quality assurance and improvement program, which of the following must be reported to the board?
A. A statement of independence of the organization ' s internal auditors.
B. Meeting minutes with the assessment team, if key risks were identified and discussed.
C. Frequency of the quality assessments being performed.
D. Summary of previous internal assessments undertaken.
Answer: C (LEAVE A REPLY)
According to the International Standards for the Professional Practice of Internal Auditing, the internal audit activity must have a quality assurance and improvement program that covers all aspects of the internal audit activity. This program should include both internal and external assessments. The chief audit executive must report the results of the quality assurance and improvement program to senior management and the board, including the frequency of quality assessments. This ensures that the board is aware of how often quality assessments are conducted, ensuring continuous improvement and adherence to standards. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1312 - External Assessments, and Standard 1320 - Reporting on the Quality Assurance and Improvement Program.

NEW QUESTION: 180
Which of the following is a typical characteristic of an organization ' s risk management framework?
A. Risk tolerance may or may not align with risk appetite depending on whether the assessment is quantitative or qualitative
B. Risk is assessed on both an inherent and a residual basis
C. The framework addresses four organizational objective categories strategic, historical, operational, and investment
D. External risks and internal opportunities are omitted from the risk assessment scope
Answer: B (LEAVE A REPLY)
A typical characteristic of an organization ' s risk management framework is that risk is assessed on both an inherent and a residual basis. Inherent risk is the level of risk in the absence of any controls or other management actions influencing the outcome. Residual risk is the risk that remains after controls and other treatment actions are taken. This dual approach helps organizations understand the full spectrum of risk before and after mitigative actions.
Risk management frameworks, including COSO and ISO 31000.

NEW QUESTION: 181

According to IIA guidance, which of the following statements is true regarding due professional care?

A. Internal auditors must exercise due professional care to Insure that all significant risks will be identified,

B. Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor

C. Due professional care requires the internal auditor to conduct extensive examinations and verifications to ensure fraud does not exist,

D. Due professional care is displayed during a consulting engagement when the internal auditor focuses on potential benefits of the engagement rather than the cost.

Answer: B (LEAVE A REPLY)

According to IIA guidance, due professional care means that internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. This involves considering the cost of assurance in relation to potential benefits and exercising judgment and care in accordance with the complexity of the task. It does not imply an exhaustive review of all transactions or guarantees that all significant risks will be identified or that fraud does not exist.

The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, specifically those related to due professional care.

NEW QUESTION: 182

An internal audit activity maintains a quality assurance and improvement program that includes annual self- assessments. The internal audit activity includes in each engagement report a clause that the engagement is conducted in conformance with the International! Standards for the Professional Practice of Internal Auditing (Standards). Which of the following justifies inclusion of this clause in the reports?

A. Internal audit activity policies and engagement records provide relevant, sufficient, and competent evidence that the statement is correct.

B. The audit committee has reviewed the annual self-assessment results and approved the use of the clause.

C. The self-assessment results were validated by a qualified external review team three years prior.
D. The internal audit charter, approved by the audit committee, requires conformance with the Standards
Answer: A (LEAVE A REPLY)
The inclusion of the clause stating that engagements are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing can be justified if internal audit activity policies and engagement records provide relevant, sufficient, and competent evidence that the statement is correct.
This evidence shows adherence to the Standards in audit planning, execution, and reporting, ensuring the quality and reliability of audit results as per the Standards' requirements.
International Standards for the Professional Practice of Internal Auditing; guidelines on quality assurance and improvement programs.

NEW QUESTION: 183
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: A (LEAVE A REPLY)
Workshops are likely the most efficient way for management to self-assess the overall effectiveness of the controls in a 200-person manufacturing department. Workshops can facilitate interactive discussions and group activities that help identify control gaps, understand employee perspectives, and consolidate feedback effectively across a large group.
Best practices in internal control assessments and organizational development literature.

NEW QUESTION: 184
An employee accepts cash payments from customers and does not record the sale. This is an example of which of the following types of fraud?
A. Asset misappropriation.
B. Skimming
C. Corruption.
D. Lapping.
Answer: B (LEAVE A REPLY)
Skimming is the type of fraud that involves an employee accepting cash payments and failing to record the sales, thereby diverting the cash for personal use. This kind of fraud

occurs before the transaction is recorded in the accounting records, making it particularly stealthy since it does not directly affect the accounting system.
Fraud classification and types in internal audit literature

NEW QUESTION: 185
An internal auditor is assigned to an assurance engagement. The auditor's aunt has been working in management of the area under review for a considerable amount of time. Which of the following would best assist the internal auditor in this situation?
A. The internal audit charter.
B. The whistleblowing policy.
C. The audit committee charter.
D. The conflict of interest policy.
Answer: (SHOW ANSWER)
A conflict of interest is a situation where an internal auditor's personal or professional interests may compromise their objectivity, integrity, or ability to perform their work effectively. A conflict of interest policy is a document that defines what constitutes a conflict of interest, how to identify and report it, and how to manage or resolve it. Therefore, option D is the best answer.

NEW QUESTION: 186
The internal audit activity audited an organization ' s risk management function multiple times, and the recommendations that were made remain unaddressed by the head of risk management. Which of the following would be the next step for the internal audit activity?
A. The internal audit activity should add value by implementing the recommendations on management ' s behalf.
B. The chief audit executive (CAE) must discuss this matter with senior management and the board
C. The CAE should determine which recommendations to implement based on the severity of the associated risks.
D. The internal audit activity, led by the CAE. should assume responsibility for risk management function.
Answer: B (LEAVE A REPLY)
If the recommendations made by the internal audit activity regarding the organization ' s risk management function remain unaddressed, the next step should be for the chief audit executive (CAE) to discuss this matter with senior management and the board. This discussion aims to ensure that senior leaders are aware of the unaddressed risks and can take necessary actions to address the internal audit ' s findings effectively.
The IIA ' s International Standards for the Professional Practice of Internal Auditing, which stipulate the CAE
' s responsibilities in communicating significant risk exposures and control issues to senior management and the board.

NEW QUESTION: 187

According to IIA guidance, which of the following activities is appropriate for an internal auditor to perform with regard to the organization ' s corporate social responsibility (CSR) program?

1. Determine whether the organization has adequate controls to achieve its CSR objectives.
2. Facilitate a management self-assessment of CSR controls and results.
3. Consult on the project design and implementation for the CSR program.
4. Exclude CSR-related external risks that are beyond the control of the organization.

A. 1 and 2 only.

B. 1, 2 and 3 only.

C. 2, 3, and 4 only.

D. 3 and 4 only.

Answer: (SHOW ANSWER)

According to IIA guidance, it is appropriate for an internal auditor to determine whether the organization has adequate controls to achieve its CSR objectives and to facilitate a management self-assessment of CSR controls and results. These activities are within the scope of internal auditing as they involve evaluating the effectiveness of governance, risk management, and control processes. Consulting on project design and implementation for CSR or excluding external risks goes beyond the typical role of internal auditing, which is to provide independent assurance.

The IIA ' s guidance on the role of internal auditing in organizational governance and control evaluations.

NEW QUESTION: 188

Which of the following engagements would be considered an appropriate consulting service?

A. The internal audit activity of a commercial bank routinely performs branch audits for compliance with regulations.

B. The internal audit activity participates in a cosourcing arrangement with an IT audit firm to test information systems security.

C. The internal audit activity facilitates biannual training of the risk management team in risk identification methodologies.

D. The internal audit activity partners with external auditors annually to complete fieldwork required as a part of the external audit exercise.

Answer: C (LEAVE A REPLY)

The most appropriate consulting service from the options provided is facilitating biannual training of the risk management team in risk identification methodologies. This is considered a consulting activity because it involves adding value and improving the

organization's operations through training and development, a supportive role that falls squarely within the scope of consulting services as defined by the IIA.
IIA guidance on the nature of consulting services provided by internal audit activities.

NEW QUESTION: 189
Which of the following is an example of computer forensic auditing?
A. Testing compliance with policies that define acceptable computer use.
B. Assessing controls over allocation of IT assets in a specific location.
C. Recovering deleted communications and emails.
D. Logging targeted cybersecurity events on the organization's network.
Answer: C (LEAVE A REPLY)
Computer forensic auditing is the process of collecting and analyzing digital evidence from electronic devices. The purpose is to investigate and resolve cases involving cybercrime, fraud, or other illegal or unethical activities. One of the examples is recovering deleted communications and emails, which can help to reveal the identity, motive, or modus operandi of the perpetrators or suspects.

NEW QUESTION: 190
Which of the following practices, applied by the chief audit executive {CAE), most likely indicates an effective continuing professional educational program for the internal audit activity?
A. The CAE tasks internal auditors with coordinating assurance activities with other providers across the organization.
B. The CAE encourages auditors to volunteer to support research work of the local professional institute.
C. The CAE requires auditors to periodically attest to the profession's Code of Ethics.
D. The CAE reminds auditors to ensure workpapers are completed for audit engagements.
Answer: B (LEAVE A REPLY)
An effective continuing professional education (CPE) program for internal auditors involves ongoing development and engagement with the broader professional community. By encouraging auditors to volunteer and support research work of the local professional institute, the CAE promotes professional growth, knowledge sharing, and staying current with industry best practices and emerging trends. This practice not only enhances the auditors' skills and knowledge but also fosters networking and professional development opportunities.
The IIA Standards: Standard 1230 - Continuing Professional Development: "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." IIA Practice Guide: "Continuing Professional Education (CPE)": Highlights the importance of engagement with professional bodies and continuous learning as part of an effective CPE program.

NEW QUESTION: 191

Which of the following describes an ongoing monitoring activity that could be performed as part of an internal assessment for a quality assurance and improvement program (QAIP)?

A. Planning and supervising engagements

B. Evaluating the quality of supervision

C. Identifying opportunities for improvement m internal audit's processes and procedures

D. Determining if the objectives of QAIP are current

Answer: A (LEAVE A REPLY)

Ongoing monitoring activities are part of the internal assessments within a quality assurance and improvement program (QAIP). Planning and supervising engagements are integral components of ongoing monitoring.

These activities ensure that internal audit engagements are properly planned, executed, and supervised, adhering to established standards and procedures. They help in continuously assessing the performance and effectiveness of the internal audit function and ensuring compliance with professional standards.

IIA Standard 1300: Quality Assurance and Improvement Program

IIA Practice Guide: Quality Assurance and Improvement Program

NEW QUESTION: 192

An electric company hires several independent contractors to trim trees that are in close proximity to electricity lines. Which of the following would be the most effective control to mitigate the risk of contractors submitting fraudulent invoices regarding work completed?

A. Require contractors to submit completed and signed work acceptance sheets

B. Utilize unmanned drones to conduct regular flights and photo shoots over the areas where work is performed

C. Reconcile invoices and work acceptance sheets submitted by contractors

D. Compare actual payments to contractors with budgeted values and analyze discrepancies

Answer: (SHOW ANSWER)

Requiring contractors to submit completed and signed work acceptance sheets is an effective control to mitigate the risk of fraudulent invoices. This control provides direct evidence that the work was completed as agreed, and it offers a verifiable document that can be checked against invoices submitted. This step also ensures that any claims made by contractors can be cross-referenced easily, enhancing transparency and accountability in the billing process.

Best practices in contractor management and invoice verification.

NEW QUESTION: 193

An internal auditor failed to identify transactions between the parent organization and a subsidiary. What is the most likely reason for the failure?

A. The auditor misunderstood the audit objectives.

B. The auditor lacked professional skepticism.
C. The auditor's fieldwork was not properly supervised.
D. The auditor lacked an understanding of the organization.
Answer: (SHOW ANSWER)
One of the possible reasons for the failure to identify transactions between the parent organization and a subsidiary is that the auditor did not have sufficient knowledge of the group structure, the consolidation process, and the related party disclosure requirements. The auditor should obtain an understanding of the entity and its environment, including its internal control, as part of the risk assessment procedures.

NEW QUESTION: 194
Which of the following best describes a purpose for the internal audit charter?
A. The internal audit charter authorizes the internal audit activity ' s reporting structure and clearly defines the roles of each internal auditor.
B. The internal audit charter defines the roles and responsibilities of the chief audit executive, board of directors, and senior management.
C. The internal audit charter authorizes access to records, personnel, and physical properties relevant to the performance of audit engagements.
D. The internal audit charter defines the criteria by which the internal audit activity ' s performance will be evaluated
Answer: (SHOW ANSWER)
The internal audit charter is a formal document that outlines the purpose, authority, and responsibility of the internal audit activity. Among its core functions, it specifically grants the internal audit activity the authority to access records, personnel, and physical properties essential for the performance of audit engagements. This access is crucial for enabling auditors to obtain the necessary information to conduct their work effectively and independently.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 195
An external assessment was performed as part of the organization's quality assurance and improvement program. Which of the following conclusions confirms that the internal audit activity is in conformance with the Standards'?
A. The chief audit executive is well qualified and has responsibilities over operational areas that the internal audit activity assesses.
B. Periodic self-assessments are assigned to entry-level internal audit staff to support their continuing professional development.
C. All audit workpapers are reviewed and signed by the engagement supervisor before the audit report is issued.

D. Employees who rotate into the internal audit activity from other areas of the organization are assigned to audit areas where they previously worked, to take advantage of their operational expertise and experience.

Answer: C (LEAVE A REPLY)

Conformance with the Standards during an external assessment of the internal audit activity can be demonstrated through various means. One critical aspect is the review process of audit workpapers.

According to the IIA Standards, particularly Standard 2340 - Engagement Supervision, audit work should be reviewed by an engagement supervisor to ensure objectives are achieved, quality is maintained, and staff are developed. The review and sign-off of all audit workpapers before the issuance of the audit report (Option C) align directly with these standards, ensuring that work meets the required quality and thoroughness.

IIA Standards, Standard 2340: Engagement Supervision

IIA Quality Assurance and Improvement Program (QAIP) guidelines

NEW QUESTION: 196

Internal controls belong to which risk response category?

A. Reduction.

B. Avoidance.

C. Sharing.

D. Acceptance.

Answer: A (LEAVE A REPLY)

Internal controls are mechanisms put in place to reduce the probability or impact of risks affecting the organization's objectives. They do not eliminate risks entirely (which would be avoidance) nor do they transfer or share the risk (as in risk sharing); rather, they mitigate risks to more acceptable levels.

Institute of Internal Auditors (IIA) - Guidance on Risk Assessment in Practice

NEW QUESTION: 197

The internal audit activity is undergoing a self-assessment as part of its quality assurance and improvement program. Which of the following observations must be addressed in order for the internal audit activity to achieve conformance with the Standards?

A. The internal audit charter has not been approved by the board within the past year.
B. The internal audit charter has not been reviewed by the legal department.
C. The internal audit charter does not describe the authority of the internal audit activity.
D. The internal audit charter does not identify which audit services are outsourced.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 198
Which of the following is an example of corruption?
A. Recognizing revenue up front rather than over a contract's life to inflate revenue for the current period
B. Requesting reimbursement for overstated travel and entertainment expense amount
C. Misstating realized foreign currency transaction gains or losses
D. Demanding payment from a vendor for decisions made in the vendor's favor
Answer: D (LEAVE A REPLY)
Corruption in the context of unethical practices typically involves wrongdoing for personal gain or to benefit another at the expense of the organization. Demanding payment from a vendor for decisions made in the vendor's favor is a clear example of corruption, as it involves misuse of authority for personal benefit. The other options listed deal with accounting manipulations or reimbursement fraud, which, while unethical, are not examples of corruption as defined in auditing terminology.
Association of Certified Fraud Examiners (ACFE) - Fraud Definitions and Classifications

NEW QUESTION: 199
Which of the following is the best example of a computer forensic audit activity?
A. An internal auditor compared vendor addresses to employee home addresses.
B. An internal auditor used analytical software to trace all disbursements processed on weekends.
C. An internal auditor tried to circumvent the logical access controls of the purchasing system.
D. An internal auditor recovered emails of an employee who was suspected of fraudulent activities
Answer: D (LEAVE A REPLY)
The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way that is suitable for presentation in a court of law. Recovering emails for the purpose of investigating suspected fraud aligns well with these practices.
Computer forensic audit techniques are commonly discussed in IIA publications and training related to forensic auditing and fraud examination.

NEW QUESTION: 200
A business unit manager was impressed by the competence of the internal auditor who was conducting an assurance engagement in his area and the manager made the auditor an attractive job offer to begin after the audit was completed The auditor later told her auditor in charge that she was considering the offer. Which of the following IIA Code of Ethics principles was most likely violated?
A. Integrity
B. Confidentiality
C. Objectivity
D. No violation was committed
Answer: (SHOW ANSWER)
The principle most likely violated in this scenario is objectivity. According to the IIA Code of Ethics, internal auditors must maintain an unbiased and impartial mindset in all aspects of their engagements. By considering a job offer from a business unit manager involved in an audit, the auditor risks compromising her ability to remain objective both during and after the audit process. This situation creates a conflict of interest that can influence the auditor's judgments, potentially leading to bias in audit findings or decisions.
The Institute of Internal Auditors (IIA) - Code of Ethics

NEW QUESTION: 201
An organization opened its warehouse to sell written-off surplus and outdated office furniture to the general public. Prices were negotiable, and customers could pay by cash, check, or credit card. Receipts were available upon request, and were issued by the inventory manager upon collection of payment. At the end of the day, the manager forwarded all of the funds he had collected to the finance department for deposit. Which of the following types of fraud is most likely to occur under these circumstances?
A. Asset misappropriation.
B. Bribery.
C. Falsifying records.
D. Skimming
Answer: D (LEAVE A REPLY)
Under the circumstances described, the type of fraud most likely to occur is skimming. Skimming involves stealing cash before it is recorded on the organization's books. Since receipts were issued only upon request and the inventory manager had control over collecting and depositing payments, there is an opportunity for undetected theft of cash payments.
Common types of fraud in cash handling environments, as outlined in fraud detection and prevention resources by the IIA.

NEW QUESTION: 202
Which of the following scenarios best illustrates due professional care?

A. An internal auditor who previously worked in the payroll department within the last year was intentionally excluded by the chief audit executive from the audit team assigned to a payroll audit
B. While performing a payroll audit an auditor became skeptical about significant payments made to a manager. The auditor sought to determine whether these payments were reasonable through discussion with a manager in a different department in the organization
C. The head of the payroll department being audited is a business partner of the engagement supervisor During the audit the engagement supervisor sought to maintain his objectivity by not participating in fieldwork
D. An auditor assigned to a payroll audit was unable to reperform some complex payroll computations for a small number of employees The sum of these payments was below the materiality thresholds provided so the auditor did not perform further tests
Answer: A (LEAVE A REPLY)
Due professional care involves the exercise of professional judgment and the application of care that an ordinarily prudent person would use under the circumstances. In scenario A, the chief audit executive demonstrates due professional care by excluding an auditor who previously worked in the payroll department from the audit team assigned to audit that area. This action avoids conflicts of interest and ensures the objectivity of the audit, aligning with IIA guidelines on independence and objectivity in internal auditing.
IIA Standard 1100: " Independence and Objectivity "

NEW QUESTION: 203
Management decided to post the organization's newly established code of conduct on its website. This decision is primarily intended to mitigate which of the following risks?
A. Accountability risk.
B. Communication risk.
C. Knowledge risk.
D. Cultural risk.
Answer: (SHOW ANSWER)
Posting the organization's code of conduct on its website is a strategy to mitigate cultural risk by promoting transparency and establishing a clear set of behavioral expectations for both employees and stakeholders. This helps in shaping a positive organizational culture where ethical behavior is encouraged and deviations from expected conduct are minimized. By making the code of conduct publicly available, the organization demonstrates its commitment to integrity and ethical behavior, which can enhance trust and accountability.
References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2110 - Governance, and COSO's Internal Control - Integrated Framework.

NEW QUESTION: 204

Which of the following activities best demonstrates an internal auditor's commitment to developing professional competencies?
A. Requesting to be part of all engagements on the annual audit plan.
B. Attending a series of locally offered training courses.
C. Completing a skills assessment and development plan for targeted training needs,
D. Attending a webinar on how to use data analytics
Answer: C (LEAVE A REPLY)
Completing a skills assessment and development plan specifically targets the auditor ' s training needs, thereby demonstrating a direct commitment to developing professional competencies. This approach is strategic as it identifies gaps in skills and knowledge, and provides a structured path towards professional development tailored to the auditor's current and future roles.
IIA guidelines on Continuing Professional Development

NEW QUESTION: 205
Which of the following is most accurate concerning corporate social responsibility?
A. A moral agent in an organization makes decisions that are based on the rules and regulations of the organization as they apply to human resources decisions
B. The utilitarian approaching deciding on ethical dilemmas is concerned with choosing the simplest solution that will apply to the most people
C. Ethics are not defined by laws but they are not a matter of free choice ethics are based on standards of conduct derived from shared principles and values
D. The individualism approach to ethical decision making is focused on implementing a customized long- term outcome that is most beneficial for the entire organization
Answer: (SHOW ANSWER)
Ethics are indeed not defined by laws alone; they are based on standards of conduct derived from shared principles and values. This statement most accurately reflects the nature of ethics in the context of corporate social responsibility (CSR), emphasizing that while ethics are guided by laws, they fundamentally originate from broader societal values and the ethical norms of the community.
Basic ethical principles in CSR and business ethics literature

NEW QUESTION: 206
Which of the following statements is true regarding the independent peer review process undertaken to fulfill the requirement for an external quality assessment?
A. Two individuals in the same internal audit activity may perform an independent peer review as long as they do not report to the same audit manager
B. Individuals from a separate but related organization such as an affiliate may perform peer reviews
C. Individuals working in separate internal audit activities may be considered independent as long as do not report to the same chief audit executive

D. Peer reviews are generally less cost-effective than hiring an external quality assessor
Answer: (SHOW ANSWER)
Individuals working in separate internal audit activities can be considered independent for the purpose of conducting a peer review, provided they do not report to the same chief audit executive (CAE). This separation helps to ensure that the reviewers do not have a conflict of interest or undue influence from shared reporting lines, thus maintaining the integrity of the external quality assessment process.
IIA Standard 1312 - External Assessments

NEW QUESTION: 207
The internal audit activity is asked to provide consulting services regarding the risks related to implementing a proposed new Inventory management system. Which of the following would be a key consideration of the internal audit activity in accepting this engagement?
A. Ask the inventory manager to determine whether the work planned would be sufficient to meet the consulting engagement objectives.
B. Ensure that the method used to communicate the results of the consulting engagement is consistent with the board's preferred method.
C. Determine whether the benefits to be derived from the requested assessment would exceed the cost of providing the consulting service.
D. Use email and telephone conversations to convey the results of the engagement, as these may prove to be the most efficient methods for communicating.
Answer: (SHOW ANSWER)
When asked to provide consulting services regarding the risks related to implementing a proposed new inventory management system, the internal audit activity should consider whether the benefits derived from the requested assessment would exceed the cost of providing the consulting service. This ensures that the engagement adds value to the organization, aligning with the principles of efficiency and effectiveness in internal auditing.
The IIA's guidance on conducting consulting engagements and assessing value and benefits relative to cost.

NEW QUESTION: 208
Which of the following best describes the internal audit activity's responsibility within a risk and control framework?
A. The internal audit activity constitutes the first line of defense in effective risk management.
B. The internal audit activity provides direction regarding internal controls implementation.
C. The internal audit activity verifies that management has met its responsibility for implementing effective controls.
D. The internal audit activity implements the internal control framework and advises management regarding best practices.
Answer: C (LEAVE A REPLY)

The primary responsibility of the internal audit activity within a risk and control framework is to verify that management has met its responsibility for implementing effective controls. This aligns with the IIA's definition of the internal audit function's role, which is to provide independent and objective assurance that an organization's risk management, governance, and internal control processes are operating effectively.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 209
Which of the following scenarios depicts an appropriate role for the internal audit activity to take regarding an organization's risk management process?
A. Internal audit designs and implements the organization's controls to help manage risk.
B. Internal audit sets the organization's risk tolerance and promotes awareness throughout the organization.
C. Internal audit assesses whether the organization's risk management processes are effective.
D. Internal audit is responsible for safeguarding the organization's assets and preventing loss from occurring.
Answer: C (LEAVE A REPLY)
The appropriate role for the internal audit activity in relation to an organization's risk management process is to provide assurance on the effectiveness of these processes. This involves evaluating whether risk management practices help the organization manage its risks within defined risk tolerance levels effectively and are aligned with the strategic goals. Internal audit should not be involved in designing controls or setting risk tolerance as this could impair their independence.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 210
How can an Internal audit activity contribute to its organization's risk assessment process?
A. Assist in reviewing how key risks are reported
B. Determine the risk appetite based on an independent review
C. Determine necessary risk responses based on an assessment
D. Take accountability for risk management
Answer: (SHOW ANSWER)
One of the roles of internal audit is to provide assurance on the effectiveness of risk management processes. Internal audit can contribute to the organization's risk assessment process by reviewing how key risks are identified, measured, monitored, and reported by the first and second lines of defense. Internal audit can also provide recommendations for improving the risk reporting process and ensuring that it aligns with the organization's objectives and risk appetite.

Additional Information:
The first line of defense is the operational management, who owns and manages the risks. The second line of defense is the risk management and compliance functions. The third line of defense is the internal audit function. Risk reporting is the process of communicating relevant and timely information about the organization's risks to the stakeholders. The organization's risk appetite is the amount and type of risk that it is willing to accept in pursuit of its objectives.

NEW QUESTION: 211
An existing Internal audit charter is currently under review for revision. Who is responsible for assuring that all required components are included?
A. The audit committee.
B. The head of legal and compliance.
C. The chief audit executive.
D. Senior management.
Answer: C (LEAVE A REPLY)
The chief audit executive (CAE) is responsible for assuring that all required components are included in the internal audit charter. The CAE must ensure that the charter clearly defines the purpose, authority, and responsibility of the internal audit activity, and that it aligns with the standards set by the Institute of Internal Auditors (IIA). The CAE is also responsible for presenting the charter to senior management and the board for approval. The IIA Standards: Standard 1000 - Purpose, Authority, and Responsibility: "The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval." IIA Practice Guide: "Internal Audit Charter: Understanding the Components": Emphasizes the CAE's responsibility in developing and maintaining the charter.

NEW QUESTION: 212
Following a quality assurance review of a small internal audit activity, the external reviewer and the chief audit executive (CAE) cannot agree on the importance of several deficiencies noted during the review. Which of the following would be the most appropriate next step for the reviewer to take?

A. Remove the areas of disagreement from the scope of the engagement and seek informal compromises with the CAE.
B. Issue the report to senior management, noting the deficiencies for immediate resolution.
C. Issue the report, noting the deficiencies with comments that address the areas of disagreement.
D. Request arbitration from the audit committee to resolve discrepancies prior to issuing the final report
Answer: C (LEAVE A REPLY)
The most appropriate next step when the external reviewer and the chief audit executive cannot agree on the importance of several deficiencies is for the reviewer to issue the report, noting the deficiencies with comments that address the areas of disagreement. This approach allows for a balanced presentation of the findings, ensuring that senior management and other stakeholders are aware of both the deficiencies and the differing perspectives regarding their significance.
Best practices in handling disagreements during external quality assurance reviews, as recommended by IIA guidance on quality assurance.

NEW QUESTION: 213
Which of the following would be included in ongoing monitoring of the performance of the internal audit activity?
A. Acquiring feedback from audit clients and other stakeholders.
B. Having senior auditors conducting an annual self-assessment.
C. Benchmarking against best practices in internal auditing.
D. Performing an external assessment once every five years.
Answer: A (LEAVE A REPLY)
Ongoing monitoring is a continuous process of evaluating the performance and quality of the internal audit activity. It includes regular management and supervisory activities, such as reviewing audit reports, tracking audit recommendations, and measuring key performance indicators. One of the ways to monitor the performance of the internal audit activity is to acquire feedback from audit clients and other stakeholders. Feedback can help to assess the value, effectiveness, and satisfaction of the internal audit services.

NEW QUESTION: 214
For a new board chair who has not previously served on the organization ' s board, which of the following steps should first be undertaken to ensure effective leadership to the board?
A. Chair should learn the current organizational culture of the company.
B. Chair should learn the current risk management system of the company.
C. Chair should determine the appropriateness of the current strategic risks.
D. Chair should gain an understanding of the needs of key stakeholders.
Answer: (SHOW ANSWER)

For a new board chair, the first step to ensure effective leadership involves gaining an understanding of the needs of key stakeholders. This foundational knowledge is critical as it shapes the chair ' s approach to governance, strategic alignment, and stakeholder engagement, providing a direct line of sight into the expectations and concerns that may influence the organization's direction.
Best governance practices and board leadership guidelines

NEW QUESTION: 215
Which of the following statements best represents the due professional care that is required of internal auditors?
A. Internal auditors should consider the cost of assurance in relation to the potential benefits.
B. Internal auditors should not perform consulting engagements for operations for which they had previous responsibilities.
C. Internal auditors should perform assurance procedures to ensure that all significant risks are identified.
D. Internal auditors should devise internal audit programs to confirm that the results are accurate.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 216
Which of the following is a preventive control the organization could implement to mitigate fraudulent activity in the accounts payable department?
A. Delivering fraud awareness training to employees in the department.
B. Segregating duties between employees in the department.
C. Requesting the internal audit activity perform an independent evaluation of fraud risk in the department.
D. Requiring accounts payable employees to sign a code of conduct awareness confirmation.
Answer: (SHOW ANSWER)
Segregation of duties is a preventive control designed to mitigate fraud by ensuring that no single individual has control over all phases of a financial transaction. This control reduces the risk of errors and fraud by requiring the involvement of multiple people in tasks such as authorization, custody of assets, and record- keeping.
Institute of Internal Auditors (IIA) - Practice Advisories on Fraud Prevention and Control

NEW QUESTION: 217
Which of the following statements is correct regarding disclosure of conformance or Standards?

A. An internal audit activity that has been in existence fewer than five years cannot Indicate that it is operating in conformance with the Standards because it has not yet undergone an external assessment.
B. Once an external assessment validates conformance with the Standards, the internal audit activity may continue to use the statement until the next external assessment.
C. If it has been more than five years since the last external assessment was conducted, the Internal audit activity must cease indicating that it operates in conformance with the Standards.
D. The chief audit executive must disclose every instance of noncompliance with the Code of Ethics or the Standards.
Answer: (SHOW ANSWER)
According to the IIA ' s Standards, if it has been more than five years since the last external assessment was conducted, the Internal audit activity must cease indicating that it operates in conformance with the Standards.
Regular external assessments are required at least once every five years to validate that an internal audit activity continues to operate in conformance with the Standards.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 218
The internal audit activity is performing an assessment of an organization's ethics program, and the engagement scope specifies a focus on the training program's design. According to IIA guidance, which of the following questions would be the most relevant?
1. Does the training include situations that require an ethical decision?
2. What percentage of employees have taken the training?
3. What are the results of the employee assessment of the organization's ethical climate?
4. Does the instructor provide feedback on the thought process to reach an ethical resolution?
A. 1 and 2.
B. 1 and 4.
C. 2 and 3.
D. 3 and 4.
Answer: B (LEAVE A REPLY)
In assessing the design of a training program for an organization's ethics program, the most relevant questions would be those that address the content of the training and the feedback mechanism used to foster ethical decision-making. Questions 1 and 4 directly relate to these aspects, examining if the training includes ethical decision-making scenarios and if there is feedback on the thought processes involved, which are critical for effective ethics training.
IIA guidance on auditing ethics programs, focusing on the effectiveness and design of training components.

NEW QUESTION: 219

According to IIA guidance, which of the following activities would typically be examined when using the maturity model approach for assessing an organization ' s risk management program?

A. Monitor and review

B. Performance measurement.

C. Setting the context.

D. Communication.

Answer: (SHOW ANSWER)

According to the IIA guidance on using the maturity model for assessing an organization ' s risk management program, a key activity to examine is " Monitor and Review. " This element evaluates how well the organization continues to monitor its risk environment and reviews the effectiveness of risk management strategies over time. It is crucial for ensuring that risk management adapts to changes and continues to align with organizational objectives.

Institute of Internal Auditors (IIA) - Guidance on Risk Management Maturity Models

NEW QUESTION: 220

The organization's internal audit charter was last updated six years ago. To update the charter, which of the following actions is most appropriate for the chief audit executive to take?

A. Wait for the next external assessment and address all of the missing information in the charter based on the recommendations from the external assessment team.

B. Perform a review of IIA guidance to become acquainted with the latest mandatory elements prior to updating the charter

C. Use an internal audit charter template from another organization that operates within the same industry.

D. Identify an individual within the internal audit activity who has in-depth knowledge of mandatory IIA guidance elements to address any gaps or areas of the current version of the charter that could be improved.

Answer: (SHOW ANSWER)

The most appropriate action for the chief audit executive to take when updating the internal audit charter is to perform a review of IIA guidance to become acquainted with the latest mandatory elements prior to updating the charter. This ensures that the charter will be updated according to the most current standards and practices required by the IIA. Staying updated with the latest guidance helps in maintaining compliance with professional standards and aligning the internal audit function's objectives and scope with organizational needs and regulatory expectations.

IIA's International Standards for the Professional Practice of Internal Auditing and guidance on internal audit charters.

NEW QUESTION: 221

Which level of corporate social responsibility does whistleblowing in companies primarily support?

A. Ethical responsibility.

B. Economic responsibility.

C. Legal responsibility.

D. Discretionary responsibility.

Answer: (SHOW ANSWER)

Whistleblowing is aligned with ethical responsibility, encouraging transparency and ethical behavior within organizations. IIA guidance on corporate social responsibility emphasizes that ethical responsibility involves safeguarding stakeholders' interests.

NEW QUESTION: 222

In its five years of existence, an internal audit activity conducted a single internal assessment of its quality assurance and improvement program (QAIP). The results of that assessment showed that the internal audit activity did not conform with the Standards. Prior to this, an external assessment of the internal audit activity ' s QAIP was conducted, which reported that the internal audit activity was in conformance with the Standards. Considering the two assessments, what would be the internal audit activity ' s current state of conformance with the Standards?

A. Conformance with the Standards.

B. Nonconformance with the Standards

C. Unable to determine conformance with the Standards.

D. Partial conformance with the Standards

Answer: B (LEAVE A REPLY)

The current state of conformance with the Standards for the internal audit activity would be considered as " Nonconformance with the Standards. " This assessment is based on the most recent internal assessment, which showed nonconformance. According to IIA standards, the results of the latest quality assurance review are critical in determining conformance, and any finding of nonconformance indicates that the internal audit activity currently does not meet the Standards, despite previous external assessments to the contrary.

IIA Standard 1300: Quality Assurance and Improvement Program and related interpretation guidelines.

NEW QUESTION: 223

Which of the following statements demonstrates that internal auditors are in conformance with the standard of due professional care?

A. Internal auditors have shown they have the freedom to carry out their responsibilities.

B. Internal auditors have demonstrated the skills needed to carry out the audit engagement.

C. Internal auditors have strictly followed a formal audit process in conducting their work.
D. Internal auditors have demonstrated an unbiased mental attitude.
Answer: B (LEAVE A REPLY)
According to the International Standards for the Professional Practice of Internal Auditing (Standards), internal auditors must exhibit due professional care in their work. Due professional care implies that internal auditors must apply the care and skill expected of a reasonably prudent and competent auditor. Standard 1220 of the IIA's International Standards states that internal auditors must consider the use of technology-based audit and other data analysis techniques. Furthermore, they should be alert to the significant risks that might affect objectives, operations, or resources. Demonstrating the necessary skills and proficiency (Option B) directly aligns with the requirement of due professional care, as it ensures that auditors have the capability to identify and manage risks effectively.
IIA Standards, Standard 1220: Due Professional Care
IIA's International Professional Practices Framework (IPPF)

NEW QUESTION: 224
A chief audit executive (CAE) identifies that the internal audit activity lacks a necessary skill to perform a management request for a consulting engagement. According to IIA guidance, which of the following is the most appropriate action the CAE should take regarding the request?
A. Assign the engagement to a more senior internal auditor.
B. Decline the engagement request.
C. Allow the internal auditors to acquire the needed skills while performing the engagement.
D. Supervise the assigned internal auditors throughout the engagement.
Answer: B (LEAVE A REPLY)
When an internal audit activity lacks the necessary skills to perform a requested consulting engagement, the most appropriate action according to IIA guidance is for the Chief Audit Executive (CAE) to decline the engagement request. This decision ensures the integrity and quality of the audit service, adhering to the standard of only undertaking work where the internal audit staff possesses or has the ability to obtain the necessary knowledge and skills.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 225
To comply with the proficiency standard which of the following would the chief audit executive likely consider as the primary hiring criterion when choosing a new internal auditor?
A. The length and consistency of the auditor's work experience
B. The auditor's demonstrated problem-solving skills

C. The auditor's skills compared to those already possessed by other audit staff
D. The auditor's ability to be self motivated and a good team player
Answer: C (LEAVE A REPLY)
According to the IIA's standards on proficiency, the Chief Audit Executive (CAE) should consider primarily how well the skills and experience of a new auditor complement those of the existing audit team. This ensures a diverse and comprehensive skill set within the audit team, aligning with the Standard 1210.A2, which stipulates that the internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.
Institute of Internal Auditors (IIA) Standards, specifically Standard 1210 on Proficiency.

NEW QUESTION: 226
The same internal auditor has audited the regional purchasing department annually for the last three years.
The audits have shown several significant control deficiencies that have not been corrected by management.
New management is in charge of this regional purchasing department, and it is time to audit the department again. What concerns should be considered prior to assigning the audit to the same auditor?
A. Intimidation threats may compromise the auditor's objectivity due to multiple negative audit reports completed by the auditor.
B. The auditor has reviewed the department annually for the last three years, leading to familiarity, which can impact the internal audit activity's independence.
C. A negative cognitive bias may be in place that affects the employee's objectivity due to the recent audits with uncorrected control deficiencies.
D. The auditor may have formed a cultural bias, as the department under review is in the auditor's geographic area.
Answer: B (LEAVE A REPLY)
When an internal auditor has audited the same department repeatedly, familiarity threat is a significant concern. The IIA Standards emphasize maintaining objectivity and avoiding circumstances that could impair the auditor's unbiased attitude. Auditing the same department annually for several years can lead to familiarity, which can compromise the internal audit activity's independence and objectivity (Option B).
According to Standard 1130: Impairment to Independence or Objectivity, auditors must avoid auditing areas where repeated engagements might lead to a lack of objectivity due to familiarity.
IIA Standards, Standard 1130: Impairment to Independence or Objectivity IIA Practice Guide: Independence and Objectivity

NEW QUESTION: 227
According to MA guidance, which of the following best describes how often the chief audit executive should review the quality assurance and improvement program of the internal audit activity?
A. Whenever the business objectives of the organization change
B. Just prior to an external assessment of the internal audit activity
C. At the completion of each engagement.
D. Progressively on a day-to-day basis
Answer: (SHOW ANSWER)
According to IIA guidance, the chief audit executive should review the quality assurance and improvement program of the internal audit activity progressively on a day-to-day basis. This continual review ensures that the internal audit activity remains effective and aligned with the organization's objectives and adheres to professional standards, thereby maintaining and enhancing the value provided by the audit function.
IIA standards related to the quality assurance and improvement program, which advocate for ongoing monitoring to ensure the effectiveness of the internal audit activity.

NEW QUESTION: 228
In an internal audit charter, which of the following statements regarding the chief audit executive (CAE) would be most directly related to describing the responsibilities of the internal audit activity*?
A. The CAE shall report functionally to the board and administratively to the chief financial officer
B. The CAE and the Internal audit activity shall have full access to any and all records and personnel of the organization that are relevant to audit engagements
C. The CAE and the internal audit activity shall be independent and objective in performing their work.
D. The CAE shall report periodically on the performance of the internal audit activity relative to its plan
Answer: D (LEAVE A REPLY)
In an internal audit charter, the statement most directly related to describing the responsibilities of the internal audit activity is that the Chief Audit Executive (CAE) shall report periodically on the performance of the internal audit activity relative to its plan. This

statement explicitly outlines a fundamental responsibility of the CAE and the audit activity, focusing on accountability and performance measurement against the planned objectives.
IIA standards related to the roles and responsibilities included in the internal audit charter, which typically define the reporting obligations of the CAE as a reflection of the internal audit activity's duties and performance.

NEW QUESTION: 229
Which of the following activities would breach the principles of The IIA's Code of Ethics?
A. The internal auditor is keeping personal notes from an engagement conducted on the organization's information system security for future use.
B. The internal auditor is performing an engagement of the purchasing department where he used to work five years ago.
C. The internal auditor is using information from a recent engagement to assist with a friend's business.
D. The internal auditor is discussing relevant information involving questionable vendors with a government regulatory agency.
Answer: (SHOW ANSWER)
Using information from an engagement to assist a friend's business violates the IIA Code of Ethics, as it breaches confidentiality and objectivity. Internal auditors must maintain impartiality and not misuse information for personal or external advantage.

NEW QUESTION: 230
Which of the following policies promotes internal audit objectivity?
A. The chief audit executive (CAE) reports functionally to the CEO
B. The CAE s compensation is approved by the chief financial officer
C. The CAF's appointment is determined by the CEO
D. The CAE reports administratively to the chief operating officer
Answer: (SHOW ANSWER)
Reporting functionally to the CEO can promote internal audit objectivity. This arrangement helps ensure that the Chief Audit Executive (CAE) has the necessary independence from the areas being audited and sufficient authority to carry out audit responsibilities effectively. While ideally, the CAE should report functionally to the board for maximum objectivity, reporting to the CEO is a common practice that supports operational independence from direct operational management, such as the CFO or COO.
IIA guidance on reporting lines and independence.

NEW QUESTION: 231
Which of the following should be part of the internal audit activity's duties?
A. Actively reporting to the governing body.
B. Providing risk management frameworks.

C. Assisting management in developing processes and controls to manage risks and issues.
D. Identifying and mitigating significant risks to the organization.
Answer: C (LEAVE A REPLY)
Part of the internal audit activity's duties includes assisting management in developing processes and controls to manage risks and issues. While internal auditors are primarily responsible for evaluating the effectiveness of risk management and control processes, they also play a key role in advising and consulting with management to help design and improve these processes, thereby adding value to the organization.
The IIA Standards: Standard 2130 - Governance: "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for making strategic and operational decisions, overseeing risk management and control, and promoting appropriate ethics and values within the organization." IIA Practice Guide: "Consulting Services and the Internal Audit Activity": Discusses how internal auditors can provide value-added services, including assisting management with process improvements and control development.

NEW QUESTION: 232
An Internal auditor accepted a role as an engagement supervisor on a highly specialized and technical engagement for which she did not have the expertise. Which of the following fundamental principles of The IIA's Code of Ethics did she violate?
A. Objectivity.
B. Confidentiality.
C. Competency.
D. Due professional care.
Answer: C (LEAVE A REPLY)
By accepting a role as an engagement supervisor on a highly specialized and technical engagement for which she did not have the expertise, the internal auditor violated the fundamental principle of competency as outlined in The IIA's Code of Ethics. The principle of competency requires internal auditors to perform audit services with the necessary knowledge, skills, and experience. Accepting an assignment without the required expertise undermines the quality and reliability of the audit work.
The IIA Code of Ethics: "Internal auditors shall engage only in those services for which they have the necessary knowledge, skills, and experience." The IIA Standards: Standard 1210 - Proficiency: "Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities."

NEW QUESTION: 233
In a retail organization, sales teams compete with each other to achieve and exceed sales targets. Each quarter, the members of the top sales team receive a bonus. In this

environment, management should closely monitor for the emergence of which of the following potential risks?

A. Risks related to employee turnover.

B. Risks related to data manipulation.

C. Risks related to employee competency.

D. Risks related to not achieving sales targets.

Answer: (SHOW ANSWER)

In a competitive retail environment where sales teams are incentivized to meet or exceed targets, there is a significant risk of data manipulation. Employees may falsify sales records, inflate numbers, or engage in other unethical behaviors to ensure they receive bonuses. This is a common issue in environments with high stakes and rewards tied to performance metrics, as the pressure to succeed can lead individuals to manipulate data to appear more successful than they actually are. Therefore, management should closely monitor data integrity and implement strong controls to detect and prevent such manipulation. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2120 - Risk Management, and COSO's Internal Control - Integrated Framework.

NEW QUESTION: 234

Which of the following is a legitimate requirement for an internal audit activity's quality assurance and improvement program (QAIP)?

A. Quality assessments should be performed by individuals with sufficient knowledge of the internal audit practices

B. External quality assessments should be conducted every seven years

C. All quality assessments should be either conducted or validated by an independent assessment team

D. The results of the QAIP should be communicated to shareholders annually

Answer: A (LEAVE A REPLY)

The IIA standards specify that quality assurance and improvement programs (QAIP) must include both internal and external assessments. The internal assessments must be conducted continuously, and external assessments must be conducted at least once every five years, not seven. A key aspect of QAIP is that quality assessments should be performed by individuals who have sufficient knowledge of internal audit practices, ensuring the effectiveness and credibility of the audit process.

IIA Standard 1300: "Quality Assurance and Improvement Program"

NEW QUESTION: 235

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

A. Leadership.

B. Documentation.

C. Analysis.
D. Reporting.
Answer: B (LEAVE A REPLY)
For entry-level internal auditors, the primary engagement responsibility typically involves documentation.
This includes accurately and thoroughly documenting audit evidence and findings, which is essential for supporting the audit's conclusions and for review by more senior auditors.
This task is fundamental for ensuring that audit work is recorded and traceable, aligning with the IIA's standards on performance (specifically, documenting information to support conclusions and engagement results).
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 236
According to IIA guidance, which of the following actions by the chief audit executive (CAE) best demonstrates the organizational independence of the internal audit activity?
A. The CAE seeks senior management approval of the internal audit charter
B. The CAE obtains senior management's approval to hire staff
C. The CAE reports significant issues to the organization's CEO
D. The CAE provides the board with an annual budget for approval
Answer: D (LEAVE A REPLY)
The chief audit executive (CAE) best demonstrates the organizational independence of the internal audit activity by providing the board with an annual budget for approval. This action emphasizes the independence from management by ensuring the internal audit budget and resource allocations are directly overseen by the board, thus maintaining an independent status within the organization.
IIA Standard 1110 - Organizational Independence

NEW QUESTION: 237
When an organization purchases a derivative contract in the stock market to limit the potential loss in the value of a security, the organization is applying which of the following risk management techniques?
A. Avoiding the risk altogether.
B. Transferring the risk.
C. Introducing a control feature.
D. Accepting the risk.
Answer: B (LEAVE A REPLY)
When an organization purchases a derivative contract in the stock market to limit the potential loss in the value of a security, it is transferring the risk to another party. In this case, the derivative contract (such as options or futures) serves as a hedge against

potential losses, meaning the risk of loss is transferred to the counterparty of the derivative contract. References:
* Institute of Internal Auditors (IIA) standards and guidelines on risk management and control.

NEW QUESTION: 238
Which of the following statements best describes how the internal audit activity obtains reasonable assurance that significant risks in the organization are identified and assessed?
A. The internal auditors review the organization's strategic plan, business plan, and policies, and have discussions with the board and senior management.
B. The internal auditors evaluate the adequacy and timeliness of management's reporting of risk management results.
C. The internal auditors interview staff at various levels and determine whether the organization's objectives, significant risks, and risk appetite are articulated sufficiently.
D. The internal auditors review recently completed risk assessments and related reports issued by senior management, external auditors, and other sources.
Answer: A (LEAVE A REPLY)
Internal auditors obtain reasonable assurance that significant risks are identified and assessed primarily through comprehensive reviews of the organization's strategic plan, business plan, and policies. Discussions with the board and senior management further enrich the auditors' understanding of the strategic directions and risk management processes, ensuring that all significant risks are identified and effectively addressed in alignment with organizational objectives.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 239
Which of the following would be considered an impairment to an internal auditor's objectivity when performing a review of the organization's procurement function'?
A. The internal auditor worked on the implementation of the accounting system within the organization before joining the internal audit activity last year
B. The internal auditor is part of a multidisciplinary team tasked to assist with a new project implementation checklist within the organization
C. The internal auditor worked as a sourcing specialist before joining the internal audit activity last year
D. The internal auditor participates in a cross-departmental team for information and data security within the organization
Answer: C (LEAVE A REPLY)
An impairment to an internal auditor's objectivity when performing a review of the organization's procurement function would occur if the internal auditor worked as a sourcing specialist before joining the internal audit activity. Having previously worked in a

role closely related to the function being audited, the auditor may have preconceived notions or biases that could affect their ability to perform an objective audit.
The IIA's International Standards for the Professional Practice of Internal Auditing on objectivity.

NEW QUESTION: 240
Which of the following controls would best mitigate the risk of fraud in the bidding process?
A. Have a bidding committee open the tender bids.
B. Restrict the time to submit tender bids.
C. Keep minutes of pre-bid meetings.
D. Allow the higher tenders to rebid.
Answer: (SHOW ANSWER)
Having a bidding committee open the tender bids is the best control to mitigate the risk of fraud in the bidding process. This approach ensures transparency and reduces the risk of manipulative practices by involving multiple stakeholders in the bid opening, thereby preventing any single individual from influencing the outcome unduly.
Best practices in procurement and internal controls related to tender processes.

NEW QUESTION: 241
Which of the followIng would permit an internal audit activity to use the statement "conducted m conformance with the International Standards for the Professional Practice of Internal Auditing m audit reports?
A. The result of a quality assurance and improvement program confirm there are no material issues.
B. Engagement workpapers are retained by the internet audit activity according to the retention and deletion policy.
C. The internal audit activity receives positive feedback from the managers of the areas that were under review.
D. internal auditors demonstrate proficiency by maintaining professional internal audit certifications
Answer: A (LEAVE A REPLY)
The statement "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing" in audit reports can be used by the internal audit activity only if the results of a quality assurance and improvement program (QAIP) confirm that the internal audit activity adheres to the IIA Standards and there are no material issues. The QAIP includes both internal and external assessments to ensure that the internal audit activity maintains the required level of quality and effectiveness in its operations.
Positive results from these assessments validate the use of the conformance statement in audit reports.
IIA Standard 1300: Quality Assurance and Improvement Program

IIA Practice Guide: Quality Assurance and Improvement Program

NEW QUESTION: 242
An internal audit team received the following feedback from operational management via a post-engagement survey "Management agrees with all audit findings However, the audit team did not consider our input on the best way to resolve the issues" This feedback is an indication that the internal audit activity may need to improve which of the following interpersonal skills?
A. Leadership
B. Conflict management
C. Communication
D. Influence
Answer: C (LEAVE A REPLY)
The feedback from operational management highlights a lack of effective communication. While the internal audit team effectively communicated the audit findings, they failed to adequately consider and integrate management's input on resolving the issues. Improving communication skills would help the internal audit team to better engage stakeholders throughout the audit process and integrate their perspectives into the audit recommendations effectively.
The Institute of Internal Auditors (IIA) - Competency Framework for Internal Auditors

NEW QUESTION: 243
Which of the following actions does a competency assessment tool help the chief audit executive perform?
A. Record that the internal audit activity's completion of audit assignments has been met.
B. Hire qualified and skilled internal auditors for the organization's internal audit activity.
C. Postpone audits where the internal team does not have the necessary skills or knowledge.
D. Assess the knowledge and skills of the internal audit activity to identify any gaps.
Answer: D (LEAVE A REPLY)

Competency assessment tools are designed to evaluate the internal audit team's skills and identify areas needing improvement. IIA standards recommend regular assessments to ensure the audit team is sufficiently skilled to perform effective audits.

NEW QUESTION: 244

Which of the following would the internal audit activity do first if fraud is suspected during an audit engagement?

A. Interview the employees who may be implicated in the fraud.

B. Advise management regarding the event and provide recommendations.

C. Expand audit testing to determine whether fraud actually occurred.

D. Determine the potential impact on the organization.

Answer: C (LEAVE A REPLY)

If fraud is suspected during an audit engagement, the internal audit activity should first expand audit testing to gather sufficient and appropriate evidence to confirm or dispel the suspicion. This may involve applying additional or alternative audit procedures, such as data analysis, interviews, observations, or confirmations.

NEW QUESTION: 245

An internal audit activity is performing a governance engagement. Which of the following would provide the best evidence for an internal auditor when evaluating the organization's culture?

A. Personnel and customer surveys, actual reports, and due diligence results regarding third-party governance practices.

B. Details on mandatory reporting to third parties, disclosure committee charter and responsibilities, and the internal communication system.

C. Succession plans, development programs, and job descriptions with responsibilities and authorities.

D. Ethics and integrity policy; structured interviews with employees; and established and communicated values, mission, and vision.

Answer: D (LEAVE A REPLY)

Evaluating organizational culture requires insights into ethics, values, and behavior. The combination of the ethics policy, structured employee interviews, and communicated organizational values provides a comprehensive view, as recommended by IIA standards for governance audits.

NEW QUESTION: 246

Which of the following describes the primary objective when implementing a risk management framework?

A. To achieve planned profitability for business expansion.

B. To enhance an organization ' s confidence in achieving strategy.

C. To strengthen corporate governance standards.

D. To eliminate business risks and uncertainties.
Answer: B (LEAVE A REPLY)
The primary objective when implementing a risk management framework is to enhance an organization ' s confidence in achieving its strategy. A risk management framework helps an organization identify, assess, and manage risks that could impact its ability to achieve strategic objectives. By systematically managing risks, the organization can make informed decisions, allocate resources more effectively, and improve its overall resilience, thus increasing confidence in achieving its strategic goals.
COSO's Enterprise Risk Management - Integrating with Strategy and Performance.
The IIA's Practice Guide on Risk Management.

NEW QUESTION: 247
Which of the following actions by the internal audit activity requires disclosure to the board of nonconformance with the Standards?
A. The internal audit activity did not complete an external assessment within the last seven years
B. The internal audit activity performed an engagement with limited scope due to lack of knowledge
C. The internal audit activity failed to consider risk when conducting a review of a department
D. An internal auditor was assigned to an engagement m an area where she previously worked more than
10 years ago
Answer: A (LEAVE A REPLY)
Nonconformance with the Standards that requires disclosure to the board includes the failure to conduct external assessments within the timeframe stipulated by the IIA standards. Specifically, Standard 1312 requires that an external quality assessment must be conducted at least once every five years. Not completing this assessment within the last seven years constitutes a nonconformance that must be reported.
Institute of Internal Auditors (IIA) Standards, specifically Standard 1312 on External Assessments.

NEW QUESTION: 248
During an audit of company expenses, the internal auditor performed a test using data analytics and identified a violation of the company's expenses policy. The auditor who discovered the issue considered it a potential fraudulent transaction and informed the chief financial officer (CFO). The CFO dismissed the concern because he did not understand the data analytics test that was performed and the transaction was of a low value. Given this situation, which skills or competencies should this internal auditor seek to improve?
A. Skills in evaluating the risk of fraud.
B. Knowledge of key IT risks and controls

C. Soft skills such as communication and negotiation.
D. Knowledge and understanding of the company's expenses policy
Answer: C (LEAVE A REPLY)
Given that the CFO dismissed the concern due to a lack of understanding of the data analytics test and the perceived insignificance of the transaction, the internal auditor should improve soft skills, specifically communication and negotiation. Enhancing these skills would help the auditor better explain the significance of findings and persuade management of the need to address such issues, regardless of transaction value.
Institute of Internal Auditors (IIA) - Competency Framework for Internal Auditors

NEW QUESTION: 249
In which of the following situations may the internal audit activity report conformance with the Standards?
A. An internal audit activity has been in existence at least five years and has not completed an external assessment,
B. An internal auditor was assigned to an audit engagement but did not meet individual objectivity requirements.
C. The internal audit activity prepared an internal audit plan that was not risk-based.
D. The internal audit activity has been in existence fewer than five years, but periodic self-assessments were conducted.
Answer: D (LEAVE A REPLY)
According to the Standards set by the Institute of Internal Auditors (IIA), an internal audit activity may report conformance with the Standards even if it has not been in existence for more than five years provided that it has conducted periodic self-assessments and meets the other necessary criteria of the IIA standards. External assessments are required at least once every five years, but conformance can still be reported if internal assessments are conducted in the interim.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 250
According to IIA guidance, a new internal auditor is expected to possess which of the following competencies?
A. Technical industry-specific expertise.
B. Expertise in cybersecurity, an area of increasing risk.
C. Knowledge of IT risks and controls.
D. Knowledge of forensic accounting.
Answer: C (LEAVE A REPLY)
According to IIA guidance, a new internal auditor is expected to possess a broad understanding of IT risks and controls. This competency is crucial because:

* IT risks and controls are integral to the overall control environment and impact all areas of an organization.
* Knowledge of IT risks and controls enables auditors to assess the effectiveness of controls over information systems, data security, and technology infrastructure.
* As technology evolves, internal auditors must understand how to evaluate IT-related controls to provide relevant assurance and advisory services.
While technical industry-specific expertise, cybersecurity expertise, and forensic accounting knowledge are valuable, they are not core competencies expected of every new internal auditor according to IIA guidance.
The fundamental requirement is a solid grasp of IT risks and controls.
The Institute of Internal Auditors (IIA) Competency Framework.
"Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on IT Risks and Controls.
IIA's Global Internal Audit Competency Framework.

NEW QUESTION: 251
Which of the following controls would most likely prevent fraud related to the overpayment of vendors?
A. Require supervisory review of all invoices and cash disbursements exceeding a stated threshold.
B. Require the matching of a purchase order, receiving report, and invoice before payment.
C. Require all checks to be signed by more than one person.
D. Require all invoices to be paid within 30 days by check only.
Answer: (SHOW ANSWER)
Requiring the matching of a purchase order (PO), receiving report, and invoice before payment is a robust control designed to prevent overpayment and other types of fraudulent activities related to vendor payments.
This control ensures that:
* The goods or services invoiced were actually ordered (verified by the purchase order).
* The goods or services were received (verified by the receiving report).
* The invoice amount matches the agreed-upon terms and quantities (verified by the invoice).
This three-way match process helps prevent discrepancies such as overpayments, duplicate payments, or payments for goods/services not received. By ensuring all three documents align, it mitigates the risk of fraud and errors in vendor payments.
The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
COSO Internal Control - Integrated Framework, specifically on control activities.
"Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on Procurement and Accounts Payable Controls.

NEW QUESTION: 252

An internal audit activity uses a rotational program to recruit high-performing staff members from other parts of the organization One of these individuals is nearing the end of her four-year internal audit rotation The chief audit executive assigned her to an assurance engagement in the business area she will be going into when she leaves the internal audit activity Which of the following statements is true regarding this scenario?

A. Accepting the assignment is a violation of internal audit independence

B. Accepting the assignment will improve competencies and develop relationships that will be needed in her next assignment

C. Accepting the assignment creates the appearance of an impairment to her professional judgment and detectivity

D. Accepting the assignment on the assurance engagement would be a breach of due professional care

Answer: C (LEAVE A REPLY)

Accepting the assignment creates the appearance of an impairment to her professional judgment and objectivity. This is because the individual is auditing an area where she will soon work, which could potentially influence her audit work, either consciously or unconsciously, due to personal interest in the future role.

IIA Standards on Independence and Objectivity

NEW QUESTION: 253

During a monthly internal audit staff meeting, the chief audit executive (CAE) decided to reinforce the importance of internal audit staff being objective in their work. Which of the following examples would be most appropriate for the CAE to include as part of the meeting presentation?

A. Statistical sampling techniques should always be used to pull unbiased sampling for testing.

B. Fieldwork completed by internal auditors should be appropriately reviewed.

C. Internal auditors should avoid using the lunch room simultaneously with audit clients.

D. During the audit review period, there should be no nonaudit dialogues with the audit client.

Answer: (SHOW ANSWER)

Emphasizing the review of fieldwork completed by internal auditors is crucial for maintaining objectivity.

This practice ensures that work is independently checked, helping to prevent bias or errors in the audit process. Regular review by a different auditor or a supervisor can help maintain objectivity and adherence to auditing standards. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1311 - Internal Assessments, and Standard 1320 - Reporting on the Quality Assurance and Improvement Program.

NEW QUESTION: 254

Which of the following best describes why a chief audit executive might obtain the services of a fraud specialist to assist in a major fraud investigation ' ?

A. Fraud specialists are better at using computer-assisted audit techniques

B. Fraud specialists are better equipped to act as an expert witness in court

C. Fraud specialists are better able to properly apply due professional care

D. Fraud specialists are better at using crime scene investigation techniques

Answer: B (LEAVE A REPLY)

A chief audit executive might obtain the services of a fraud specialist to assist in a major fraud investigation because fraud specialists are better equipped to act as an expert witness in court. Their expertise and credentials in fraud investigations provide authoritative insight and detailed knowledge that can support legal proceedings, making them valuable resources in cases where legal actions are pursued.

The IIA ' s guidance on managing and investigating fraud.

NEW QUESTION: 255

Which of the following would be most helpful to measure whether an internal audit activity successfully provides risk-based assurance?

A. Percentage of highly significant risks covered by internal audit plan.

B. Percentage of previously unknown risks identified per engagement.

C. Percentage of internal audit staff skilled in alignment with the organization's structure and key risks.

D. Percentage of observations made in assurance engagements compared to advisory engagements.

Answer: A (LEAVE A REPLY)

The most helpful metric to measure the success of an internal audit activity in providing risk-based assurance is the percentage of highly significant risks covered by the internal audit plan. This demonstrates that the internal audit function is focusing its resources on the most critical areas that could impact the organization's objectives, ensuring that significant risks are being addressed and managed appropriately. This alignment with the organization's risk profile is a key indicator of effective risk-based auditing. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard

2010 - Planning, and Standard 2120 - Risk Management.

NEW QUESTION: 256

An internal auditor performed a consulting engagement last year which included assisting with management ' s design of controls over the procurement function. How should the chief audit executive plan an assurance engagement on the adequacy of the internal control system in the procurement function in the current year?

A. Assign the engagement to another internal auditor on staff

B. Outsource the engagement to ensure independence
C. Harness the auditor ' s knowledge of the procurement function by assigning the engagement to the same internal auditor
D. Postpone the engagement to the following year to ensure enough time has passed since the controls were designed
Answer: A (LEAVE A REPLY)
In the scenario where an internal auditor assisted with management ' s design of controls over the procurement function, the chief audit executive should plan an assurance engagement on the adequacy of the internal control system by assigning the engagement to another internal auditor on staff. This approach ensures that the evaluation of the controls is conducted with objectivity and independence, as the auditor who helped design the controls may have an inherent bias.
IIA Standards regarding objectivity and independence in assurance engagements.

NEW QUESTION: 257
According to IIA guidance, which of the following statements is true regarding the internal audit activity's responsibilities in providing consulting services?
A. The chief audit executive is responsible for deciding the priority of consulting services in the internal audit plan
B. The scope of consulting services is determined primarily by the internal auditor with input from management of the area under review
C. The board defines the internal audit activity's responsibilities over consulting activities
D. Adding value to an organization requires the internal audit activity to initiate a consulting engagement
Answer: C (LEAVE A REPLY)
According to the Institute of Internal Auditors (IIA) standards and guidance, the board of an organization defines the overall responsibilities and expectations of the internal audit activity, including its role in providing consulting services. This oversight aligns with the governance role of the board to ensure that the internal audit activity conforms to the standards and adds value to the organization. The internal audit activity may provide consulting services that are advisory in nature and agreed upon with management, but it is the board that sets the overarching governance framework.

NEW QUESTION: 258
Which of the following is a true statement regarding environmental, social, and governance (ESG) and corporate social responsibility (CSR)?
A. Sustainability disclosure is evolving around the world.
B. Having a CSR program also means decreased revenue and increased costs.
C. Organizations with ESG programs have lower performance due to the necessity to focus on sustainability as well.
D. Sustainability reporting focuses solely on the environmental and social performance of an organization's activities.
Answer: A (LEAVE A REPLY)
ESG and CSR are both related to how a company manages its impact on society and the environment. Sustainability disclosure is the process of reporting on the ESG and CSR aspects of a company's activities to the stakeholders. Sustainability disclosure is evolving around the world, as more companies adopt ESG and CSR frameworks and standards, and more stakeholders demand greater transparency and accountability on sustainability issues.

NEW QUESTION: 259
An internal auditor is assessing the effectiveness of the organization's risk management practices She checks to see whether risk management is an integrai part of decision making and whether risk management is transparent, responsive to change and addresses uncertainty. According to HA guidance on risk management frameworks, which of the following approaches is the auditor most likely using?
A. Maturity model approach
B. Process element approach
C. Key principles approach
D. Key performance indicators approach.
Answer: C (LEAVE A REPLY)
The key principles approach to risk management involves evaluating whether the organization's risk management practices align with fundamental principles, such as being an integral part of decision making, being transparent, responsive to change, and addressing uncertainty. This approach focuses on assessing the adherence to core risk management principles rather than specific processes or maturity levels.
The maturity model approach (A) assesses the level of sophistication and development of risk management practices. The process element approach (B) evaluates specific components of the risk management process.
The key performance indicators approach (D) focuses on using specific metrics to gauge the effectiveness of risk management.

The internal auditor's focus on the integration of risk management into decision making and its responsiveness to change aligns with the key principles approach as outlined in IIA guidance on risk management frameworks.
IIA Practice Guide: Assessing the Adequacy of Risk Management Using ISO 31000 IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management

NEW QUESTION: 260

It is important for the chief audit executive to consider the level of competence of the internal audit staff because their competence influences which of the following?

A. The cost-benefit relationship of planned audits.

B. Proficiency needed to carry out engagements.

C. Achievement of the objectives of internal control.

D. Quantity of the audits performed.

Answer: B (LEAVE A REPLY)

The level of competence of internal audit staff critically influences their proficiency in carrying out audit engagements. Competence encompasses the knowledge, skills, and other attributes necessary to perform audit tasks effectively. It affects the quality of the audits conducted and the value the audit team adds to the organization, ensuring that audits are performed with the required professional care and skepticism.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 261

According to NA guidance, which of the following provides the best evidence of conformance with the Standards with respect to the proficiency required of the internal audit activity?

A. Discussions with the chief audit executive.

B. A listing of employee profiles and certifications.

C. Inquiry of external auditors.

D. Validation by human resources.

Answer: B (LEAVE A REPLY)

The best evidence of conformance with the Standards concerning the proficiency required of the internal audit activity would be a listing of employee profiles and certifications. This documentation provides concrete evidence of the knowledge, skills, and competencies of the internal audit staff, ensuring that they meet the requirements set forth by the professional standards and are capable of performing their duties effectively.
This also aligns with the Standards' requirement for the internal audit activity to possess the knowledge, skills, and other competencies needed to perform its responsibilities.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 262

According to IIA guidance, which of the following is an appropriate role for the internal audit activity?
A. Coaching management in responding to risks.
B. Implementing risk responses on management's behalf.
C. Imposing risk management processes.
D. Setting the risk appetite.
Answer: (SHOW ANSWER)
The IIA ' s guidelines suggest that internal audit may provide support by coaching management on risk responses, but it should not take on management's responsibilities, such as implementing risk responses or setting the risk appetite, as this would impair objectivity.

NEW QUESTION: 263
According to IIA guidance, which of the following best describes expense reimbursement fraud?
A. Theft of cash after it is recorded in the books
B. Theft of cash before it is recorded in the books
C. Theft of assets through fictitious or inflated invoices
D. Theft of assets through false mileage travel logs and meal charges
Answer: D (LEAVE A REPLY)
Expense reimbursement fraud typically involves the theft of assets through the submission of false or inflated expense reports, such as fictitious mileage, travel logs, or meal charges. This type of fraud is categorized under the broader concept of asset misappropriation, where employees use their position to steal from the organization through deceitful acts involving expense claims.
IIA Guidance on Types of Fraud

NEW QUESTION: 264
Which of the following actions by an internal auditor would be the most relevant to determine the effectiveness of controls?
A. Participate in a fraud risk-assessment session as an in-house facilitator.
B. Send regular written updates to senior management on new control-related regulations.
C. Lead a seminar on internal controls and provide numerous examples to the audience.
D. Conduct a surprise inventory count at the raw materials warehouse.
Answer: D (LEAVE A REPLY)
The most relevant action to determine the effectiveness of controls, particularly in relation to inventory, is conducting a surprise inventory count at the raw materials warehouse. This action allows the auditor to directly assess the operational effectiveness of the inventory control processes and procedures in place, providing tangible evidence of whether controls are functioning as intended to safeguard assets.
IIA guidance on performing direct control testing and evaluating control effectiveness.

NEW QUESTION: 265

An internal auditor assigned to a supplier management process engagement reviews the risk assessment with the process owner The auditor inquires about the risk response for potentially engaging unqualified third-party service providers The process owner responds that due diligence checks are undertaken to make sure that third parties possess requisite competencies before they are engaged Which of the following risk management techniques is the process owner using?

A. Risk avoidance
B. Risk reduction
C. Risk sharing
D. Risk acceptance

Answer: B (LEAVE A REPLY)

The process owner is using risk reduction as the risk management technique. By undertaking due diligence checks to ensure that third-party service providers possess the requisite competencies before engagement, the process owner is actively working to minimize the risks associated with engaging unqualified third parties.
This approach reduces the likelihood and impact of the risk materializing.
Risk management methodologies

NEW QUESTION: 266

Which of the following best describes the Standards requirement for collective proficiency of the internal audit activity?

A. The internal audit activity must have auditors on staff who collectively possess all of the competencies required to fulfill the internal audit plan,
B. All internal auditors on staff should possess the knowledge, skills, and competencies needed to perform any assurance engagement on the audit plan.
C. The internal audit activity must possess or obtain the competencies needed to carry out their professional responsibilities, including providing relevant advice and recommendations.
D. Internal auditors collectively are responsible for ensuring that the internal audit activity has the competencies required to fulfill the internal audit plan.

Answer: A (LEAVE A REPLY)

According to the IIA's International Standards for the Professional Practice of Internal Auditing, the internal audit activity must ensure that auditors collectively possess all of the competencies necessary to fulfill the internal audit plan. This standard recognizes that not every auditor will have every skill needed for every engagement, but collectively, the team should cover all necessary competencies.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 267
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: B (LEAVE A REPLY)
When evidence of multiple incidents of fraud is discovered and there are insufficient controls in place, the internal auditor ' s most appropriate next step is to discuss the situation with the engagement supervisor to determine whether fraud investigation experts are needed. This step ensures that specialized expertise is considered and engaged if necessary to properly investigate the matter and to determine the appropriate response, including the potential involvement of law enforcement.
International Standards for the Professional Practice of Internal Auditing on responding to findings and incidents of fraud; guidance on fraud investigation.

NEW QUESTION: 268
Which of the following characteristics is typical of the internal audit activity?
A. Serves third parties that need reliable financial information from audit engagements
B. Responds to the needs and desires of senior management and the board, but remains independent of areas under review
C. Ensures the organization complies with laws and regulations in the area under review
D. Is completely independent of senior management, the board and the area under review
Answer: B (LEAVE A REPLY)
A characteristic typical of the internal audit activity is that it responds to the needs and desires of senior management and the board, but remains independent of the areas under review. This ensures that while internal audit activities are aligned with the strategic priorities of the organization, they maintain an unbiased stance that is critical for effectively assessing risk and control processes.
IIA's International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 269
According to The IIA's Code of Ethics, which of the following statements is true?
A. When an internal auditor releases required information to a regulator, resulting in a significant loss through fines and penalties for the organization, he fails to add value.

B. When an internal auditor limits the scope of the audit engagement after learning that management is hiding relevant information, he demonstrates integrity.
C. When an internal auditor disagrees with the treatment received by workers in the organization's foreign subsidiary and alters the audit program to highlight the issue, the fails to demonstrate objectivity.
D. When an internal auditor continues with an audit engagement, despite the audit client's claims that the work performed is unnecessary and redundant, he fails to demonstrate competency.
Answer: C (LEAVE A REPLY)
According to The IIA's Code of Ethics, objectivity must be maintained by internal auditors, which means they should not allow personal feelings or prejudices to affect their professional judgment. In this scenario, altering the audit program to focus on an issue because of personal disagreement over the treatment of workers demonstrates a failure to remain objective.
The IIA's Code of Ethics, which outlines the principle of objectivity in the conduct of internal auditors.

NEW QUESTION: 270
Which of the following internal control components has COSO identified as the most important?
A. Information and communication
B. Risk assessment
C. Control activities
D. Control environment
Answer: (SHOW ANSWER)
According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the control environment is the most important component of internal control. The control environment sets the tone of the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. A strong control environment is essential for effective internal control as it includes elements such as integrity, ethical values, management's operating style, and the assignment of authority and responsibility.
COSO Framework: Emphasizes the importance of the control environment as the foundation for all other components of internal control.
The IIA Standards: Standard 2120 - Risk Management: " The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. "

NEW QUESTION: 271
An internal audit activity maintains a quality assurance and improvement program that includes annual self- assessments. The internal audit activity includes in each engagement

report a clause that the engagement is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards) Which of the following justifies inclusion of this clause in the reports?
A. Internal audit activity policies and engagement records provide relevant, sufficient, and competent evidence that the statement is correct
B. The audit committee has reviewed the annual self-assessment results and approved the use of the clause
C. The self-assessment results were validated by a qualified external review team three years prior
D. The internal audit charter, approved by the audit committee requires conformance with the Standards
Answer: A (LEAVE A REPLY)
The inclusion of a clause in each engagement report stating that the engagement conforms with the International Standards for the Professional Practice of Internal Auditing is justified if the internal audit activity ' s policies and engagement records provide relevant, sufficient, and competent evidence that this statement is correct. This indicates that the internal audit activity consistently applies the standards in its engagements and the quality assurance and improvement program effectively monitors and ensures this conformance.
IIA Standard 1300: " Quality Assurance and Improvement Program "

NEW QUESTION: 272
An auditor for a large wholesaler is evaluating the controls over the approval and oversight of credit sales.
Which of the following procedures would be a control weakness?
A. The credit department is responsible for approving shipments to all customers
B. The finance committee of the board of directors periodically reviews credit standards
C. Customers who fail to meet credit requirements must pay cash for shipments upon delivery
D. The sales department is responsible for determining the credit ratings of customers
Answer: D (LEAVE A REPLY)
A control weakness in the oversight of credit sales is evident when the sales department is responsible for determining the credit ratings of customers. This structure can lead to a

conflict of interest, as the sales department may be motivated to approve higher credit limits or overlook credit standards to increase sales figures. This undermines the objectivity and effectiveness of the credit approval process, which should ideally be handled by an independent department such as credit control to ensure unbiased evaluation.
Internal control frameworks and auditing standards that emphasize segregation of duties and the independence of critical control activities.

NEW QUESTION: 273
The internal audit activity completed its analysis of sample transactions to determine occurrences of double billings According to If A guidance, which of the following best demonstrates that internal auditors exercised due professional care during the review?
A. Internal auditors found no instances of double billing and concluded there were no significant risks in this area.
B. Internal auditors documented the scope and methodology of the data testing.
C. Internal auditors discussed with management how data is safeguarded.
D. Internal auditors received formal performance feedback from the engagement supervisor.
Answer: B (LEAVE A REPLY)
According to IIA guidance, demonstrating due professional care includes adequately planning and supervising the engagement, and documenting the scope and methodology of the audit procedures performed. Option B best demonstrates that internal auditors exercised due professional care by documenting the scope and methodology of the data testing, which is essential for ensuring the engagement's objectives are achieved, and any conclusions drawn are well-supported.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 274
Which of the following practices is generally most effective to protect internal audit objectivity?
A. Ensuring regular documentation of auditor skills and experience in the workpapers.
B. Basing performance evaluations heavily on customer satisfaction surveys.
C. Prohibiting auditors from accepting gifts from audit clients or potential clients.
D. Ensuring that auditors have a balance of both operational and internal audit responsibilities.
Answer: C (LEAVE A REPLY)
Protecting the objectivity of internal auditors is a crucial aspect of maintaining the integrity and reliability of the internal audit function. According to the International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1120: Individual Objectivity, internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. Prohibiting auditors from accepting gifts from audit clients or

potential clients (Option C) is a clear measure to prevent conflicts of interest and ensure that auditors remain objective and free from undue influence. This practice is in line with maintaining the highest level of ethical standards as per the IIA's Code of Ethics.
IIA Standards, Standard 1120: Individual Objectivity
IIA Code of Ethics

NEW QUESTION: 275
According to IIA guidance, which of the following statements is true of assurance services provided by the internal audit activity?
A. Internal auditors cannot assess an operation for which they were responsible within the previous year.
B. Management of the area under review must agree with the engagement objectives, scope, and techniques.
C. The engagement results will vary in form and content depending upon the needs and wishes of the engagement client.
D. The only parties involved in the engagement are the internal auditor and management of the area under review.
Answer: A (LEAVE A REPLY)
IIA standards require that internal auditors avoid engagements in areas where they recently held operational responsibility, typically within a one-year period, to maintain independence and objectivity.

NEW QUESTION: 276
A whistleblower reveals to the chief audit executive (CAE) detailed allegations of potential fraud at the senior management level. Although the CAE has some experience in the area, she chooses to retain an external fraud expert to conduct the investigation. When asked by the director of finance to defend the expenditure, which of the following statements represents the CAE ' s best response?
A. The CAE refers to the Standards and explains that to protect her independence, she needs to remain isolated from the investigation.
B. The CAE refers to the Standards and explains that the internal audit activity must obtain competent assistance if needed.
C. The CAE refers to the Standards and explains that to protect her objectivity, she needs to remain isolated from the investigation.
D. The CAE describes the specifics of the allegation to underscore the importance of the situation and the need for expert investigation
Answer: B (LEAVE A REPLY)
According to the IIA Standards, the chief audit executive (CAE) must ensure that internal audit activities are performed with competence and due professional care. If the internal audit team lacks the necessary knowledge or skills to perform all or part of the work, the CAE must obtain competent advice and assistance.

Thus, the CAE ' s best response to defend the expenditure for an external fraud expert is to refer to the Standards, explaining that the internal audit activity must obtain competent assistance if needed to ensure the investigation is conducted effectively and professionally.
IIA Standard 1210: Proficiency

NEW QUESTION: 277
An organization is testing a new IT system for digital data storage and security. The internal audit activity has been asked to evaluate the system in a consulting engagement. Although several internal auditors on staff are qualified to perform basic assessments of IT systems, none are familiar with the new system. Which of the following is a legitimate response to the prospective client?
1. Decline the engagement.
2. Proceed with the engagement, performing only those parts of the engagement that the internal auditors are qualified to perform.
3. Accept the engagement and develop the additional competencies in-house prior to the engagement's starting date.
4. Make arrangements to obtain assistance from a competent IT auditing expert.
A. 1 and 4 only.
B. 2 and 3 only.
C. 1. 2, and 3 only.
D. 1, 3, and 4 only.
Answer: D (LEAVE A REPLY)
A legitimate response to the prospective client under these circumstances would be to decline the engagement due to lack of specific competencies or make arrangements to obtain assistance from a competent IT auditing expert. These options ensure that the internal audit activity maintains its professional competence and integrity by only undertaking engagements where they can provide or ensure the required level of expertise.
IIA standards on professional competence and due care, which stipulate that internal auditors must have or obtain the necessary knowledge and skills to perform their tasks effectively, and if not, they should decline the engagement or seek expert assistance.

NEW QUESTION: 278
In an assurance engagement focused on the adequacy of organizationwide risk management practices, which of the following best describes a primary area of interest for the engagement?
A. The effectiveness of process-level and transaction-level controls.
B. Conflicts of interest within the organizational structure of the senior management.
C. The alignment of management decisions with the level of risk the organization is willing to accept.

D. The actions of upper management in response to the internal audit activity's reporting
Answer: C (LEAVE A REPLY)
In an assurance engagement examining the adequacy of organization-wide risk management practices, a primary area of interest would be the alignment of management decisions with the level of risk the organization is willing to accept. This focus helps determine whether the risk management framework is effectively informing strategic decision-making and aligning with the business objectives and risk appetite of the organization. Effective risk management practices should guide management in making decisions that align with the entity's predefined risk thresholds.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 279
Which of the following can be used to minimize employees' resentment of controls?
A. Making sure employees are exempt from participating in control creation
B. Implementing controls without lengthy explanations of their purpose
C. Developing general constricting controls rather than detailed ones
D. Not using controls to achieve goals
Answer: C (LEAVE A REPLY)
Best practices for minimizing resentment towards controls include involving employees in the design process of controls, transparently communicating their purpose, and how these controls benefit the organization and potentially the employees themselves. Such practices help in building a culture of compliance and acceptance, rather than resistance. Active participation and clear communication are key factors in achieving employee buy-in and minimizing resentment.
General best practices in change management and internal control implementation as advised by various management and audit frameworks, including those suggested by the IIA and related governance bodies.
Top of Form

NEW QUESTION: 280
According to IIA guidance, which of the following statements regarding ethics is true?
A. Business ethics may vary within an organization with both domestic and foreign operations.
B. Business ethics are universal in nature and organizations across the world are expected to comply with similar standards.
C. A business ethics policy for an organization is established solely to direct the behavior and expectations of employees.
D. Business ethics of an organization must remain independent from those of suppliers, customers, and business partners.
Answer: (SHOW ANSWER)

Business ethics can vary within organizations that operate across multiple regions, as they must often consider local cultural norms and regulations. The IIA recognizes the need for flexibility in ethical policies for multinational organizations, while still adhering to fundamental ethical principles.

NEW QUESTION: 281

Which of the following would be considered a monitoring activity in organization wide risk management?

A. Validate the results of management's self-assessment.

B. Perform reviews of personnel.

C. Maintain rigorous and comprehensive documentation.

D. Obtain authorizations and signatures.

Answer: A (LEAVE A REPLY)

A monitoring activity in organization-wide risk management would include validating the results of management's self-assessment. This activity ensures that risk management processes are effective and that self-assessments accurately reflect the risk status, aligning with the role of internal audit in providing assurance over risk management activities.

COSO framework for risk management; IIA guidance on risk management.

NEW QUESTION: 282

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: A (LEAVE A REPLY)

According to IIA guidance, senior management is ultimately responsible for ensuring that the internal control system of an organization's social responsibility program is effective. This responsibility stems from management's role in establishing and maintaining a system of internal controls that supports the achievement of organizational objectives, including those related to social responsibility.

IIA's guidance on governance, which places responsibility for the effectiveness of internal controls primarily on senior management.

NEW QUESTION: 283

According to IIA guidance, which of the following actions by a new chief audit executive would be most appropriate to gain an understanding of the current level of knowledge, skills, and competencies required by an internal audit activity to fulfill its responsibilities?

A. Identify gaps in the activity's proficiency, based on criteria defined by a widely accepted competency framework.
B. Have a quality assessment review performed by an expert external entity.
C. Identify a mature internal audit activity to serve as a benchmark for measuring the internal audit activity's competence.
D. Assess whether members of the internal audit activity understand and apply the 11As mandatory guidance.
Answer: A (LEAVE A REPLY)
According to IIA guidance, the most appropriate action for a new chief audit executive to gain an understanding of the current level of knowledge, skills, and competencies required by an internal audit activity is to identify gaps in the activity's proficiency based on criteria defined by a widely accepted competency framework. This method directly addresses the proficiency needs and aligns the internal audit team's capabilities with professional standards and the demands of their specific roles within the organization.
The IIA's guidance on internal audit competency frameworks, which suggests using established standards to assess and align internal audit capabilities.

NEW QUESTION: 284
According to IIA guidance, which of the following training methods is considered most effective in assisting new entry-level internal auditors in achieving competence with internal audit practices in the workplace?
A. Pursuance of an internal audit certification.
B. Enrollment in internal audit practice webinars.
C. Attendance of internal audit workshops.
D. Involvement in a variety of audit assignments.
Answer: D (LEAVE A REPLY)
According to IIA guidance, the most effective training method in assisting new entry-level internal auditors in achieving competence with internal audit practices is involvement in a variety of audit assignments. Hands-on experience across different audits allows new auditors to apply theoretical knowledge practically, learn from real-world scenarios, and develop a deeper understanding of audit processes and challenges.
IIA standards and educational guidelines on auditor training and development, which advocate for practical experience as a key component of effective learning.

NEW QUESTION: 285
Which of the following statements is the most appropriate example of the internal audit activity exercising due professional care during an audit of the payroll department?
A. Internal auditors ensure that the work program is appropriately designed in order to identify all of the risks surrounding the payroll process.
B. Internal auditors determine whether the policies, procedures, and practices of the payroll department are operating in accordance with relevant laws.

C. Internal auditors verify whether the board of directors has implemented effective internal controls over the processes used by the payroll department.
D. Internal auditors ask the organization's risk manager to determine whether the degree of work planned is sufficient to determine whether payroll payments were complete and accurate.
Answer: A (LEAVE A REPLY)
Exercising due professional care means ensuring that audit procedures are sufficient to meet the audit objectives and identify all significant risks. Ensuring that the work program is appropriately designed to identify all risks surrounding the payroll process demonstrates due professional care, as it involves planning and performing the audit with diligence and thoroughness.
* Option B: Determining compliance with laws is part of due professional care but not as comprehensive as designing the work program to identify all risks.
* Option C: Verifying internal controls implementation is part of the audit scope but does not fully encompass due professional care in planning and executing the audit.
* Option D: Consulting with the risk manager is a good practice but does not substitute for the auditor's responsibility to plan and perform the audit.
IIA Standard 1220: Due Professional Care.
IIA Practice Guide: Due Professional Care.

NEW QUESTION: 286
An internal auditor believes that a weakness exists in the control environment relating to the delegation of authority and responsibility within the management structure. Which of the following actions should the internal auditor first consider in this matter?
A. Recommend a control change and obtain management support.
B. Evaluate the potential Impact on related controls.
C. Address the risk with senior management and the board.
D. Develop and communicate the scope and evaluation criteria to be used by management.
Answer: B (LEAVE A REPLY)
When an internal auditor identifies a weakness in the control environment relating to the delegation of authority and responsibility, the first action should be to evaluate the potential impact on related controls. This evaluation helps the auditor understand how the identified weakness might affect other control processes within the organization. By assessing the impact, the auditor can gather the necessary information to determine the significance of the weakness and develop a more informed recommendation for addressing the issue.
The IIA Standards: Standard 2210 - Engagement Objectives: " Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.
"

COSO Framework: Emphasizes the need for evaluating the impact of weaknesses in the control environment on related controls.

NEW QUESTION: 287
The internal audit activity was asked to conduct an investigation for potential fraud in the treasury department and subsequently contracted with a forensic accountant to join the team for the engagement. Which of the following parties has the primary responsibility for resolving any fraud incidents found as a result of this investigation?
A. Chief audit executive.
B. Senior management.
C. The forensic accountant.
D. The legal department.
Answer: B (LEAVE A REPLY)
Senior management has the primary responsibility for resolving any fraud incidents found as a result of the investigation in the treasury department. While the internal audit activity may identify and report on fraud, and forensic accountants may assist in investigating it, the responsibility for addressing and resolving incidents of fraud, including implementing corrective actions and holding parties accountable, rests with senior management.
The IIA's guidance on the roles and responsibilities in fraud investigations, which places ultimate responsibility for management of fraud risks with senior management.

NEW QUESTION: 288
Which type(s) of assessments in an internal audit activity's quality assurance and improvement program requires ongoing monitoring to evaluate internal audit activity's efficiency and effectiveness?
A. Neither internal nor external assessment
B. internal assessment
C. Both internal and external assessment
D. External assessment
Answer: B (LEAVE A REPLY)
Internal assessments are part of an internal audit activity's quality assurance and improvement program that requires ongoing monitoring to evaluate the internal audit

activity's efficiency and effectiveness. These ongoing assessments help in continuously improving the performance and value of the internal audit function by ensuring that it operates effectively and adapts to changes in organizational needs and conditions.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 289
Which of the following statements is the most appropriate for a chief audit executive to include in the internal audit policy manual in order to promote objectivity?
A. Internal auditors may conduct a financial effectiveness engagement in a business unit at any point after being transferred from that area.
B. Internal auditors may conclude that a business unit ' s current control environment is adequate and effective if the review of the prior year ' s workpapers and audit report supports that conclusion.
C. Internal auditors may conduct an engagement in a business unit at any point after providing a training workshop in that area.
D. Internal auditors should limit the scope of an engagement if they become aware of a potential impairment of their objectivity in order to reduce the potential impact of the impairment on the engagement results.
Answer: D (LEAVE A REPLY)
The most appropriate statement for a Chief Audit Executive to include in the internal audit policy manual to promote objectivity is that internal auditors should limit the scope of an engagement if they become aware of a potential impairment of their objectivity in order to reduce the potential impact of the impairment on the engagement results. This guidance helps to manage and mitigate any risks to objectivity that might affect the integrity of audit findings.
The IIA's standards and guidelines on objectivity and conflicts of interest, particularly those addressing how to handle and document potential impairments to objectivity.

NEW QUESTION: 290
Which of the following risk management techniques best describes the strategy of obtaining insurance to protect against losses due to bad weather conditions?
A. Risk avoidance
B. Risk reduction
C. Risk acceptance
D. Risk sharing
Answer: (SHOW ANSWER)
Obtaining insurance to protect against losses due to bad weather conditions is a strategy of risk sharing. Risk sharing involves transferring a portion of the risk to another party, often through mechanisms like insurance, hedging, or outsourcing. By obtaining insurance, an organization transfers the financial impact of adverse weather conditions to the insurer, thereby sharing the risk.

Risk avoidance (A) involves eliminating the risk entirely by not engaging in the activity that generates the risk. Risk reduction (B) refers to actions taken to decrease the likelihood or impact of the risk. Risk acceptance (C) means acknowledging the risk and deciding to bear the consequences without taking steps to mitigate it.
ISO 31000:2018 Risk Management - Guidelines
COSO Enterprise Risk Management Framework

NEW QUESTION: 291
Which risk management activity would cause the internal auditor to assume a management responsibility?
A. Assessing management's acceptance of risk.
B. Reviewing a cybersecurity risk report issued by management.
C. Developing a list of emerging risks for management.
D. Prioritizing risks for management.
Answer: D (LEAVE A REPLY)
Internal auditors must remain independent and should not take on management responsibilities. Prioritizing risks for management crosses this line and constitutes assuming a management role, which compromises the auditor's independence and objectivity. References:
* IIA Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing.
* IIA Standard 1100 - Independence and Objectivity.

NEW QUESTION: 292
According to IIA guidance, which of the following is an appropriate role for the internal audit activity?
A. Coaching management in responding to risks.
B. Implementing risk responses on management ' s behalf.
C. Imposing risk management processes.
D. Setting the risk appetite.
Answer: A (LEAVE A REPLY)
According to IIA guidance, an appropriate role for the internal audit activity includes coaching management in responding to risks. This involves providing advice, facilitating workshops, and sharing best practices to help management identify, assess, and mitigate risks effectively. Internal auditors can offer insights and recommendations based on their evaluations but should not take on management responsibilities.
Implementing risk responses on management ' s behalf (B), imposing risk management processes (C), and setting the risk appetite (D) are not appropriate roles for internal auditors, as these activities fall within the purview of management. The internal audit function should maintain its independence and objectivity while supporting and enhancing the organization ' s risk management efforts.

IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management IIA Standard 2120: Risk Management

NEW QUESTION: 293

During an assurance engagement the internal audit team discovers that employees performing a control do not understand the principles behind it. Before the engagement concludes, at management's request the audit team facilitates several formal training sessions to help explain those principles to the employees. Which of the following best describes the engagement provided by the internal audit activity in this scenario?

A. Assurance services

B. Blended services

C. Consulting services

D. Prohibited services

Answer: B (LEAVE A REPLY)

The scenario describes the internal audit team providing both assurance and consulting services. Initially, the internal audit team was engaged in an assurance activity, verifying the effectiveness of controls through standard audit procedures. However, upon discovering a knowledge gap among employees, the team extended their role to include consulting services by conducting training sessions. This mix of both assurance and consulting in the same engagement characterizes what are commonly referred to as blended services.

Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 294

Which of the following items related to the quality assurance and improvement program should the chief audit executive report to the board?

A. Ongoing monitoring results

B. Periodic management assessment results

C. Annual risk assessment results

D. Internal auditors' training evaluation results

Answer: A (LEAVE A REPLY)

The chief audit executive should report the ongoing monitoring results of the quality assurance and improvement program (QAIP) to the board. This reporting is crucial as it provides the board with a continuous insight into the performance and effectiveness of the internal audit function, ensuring that any areas needing improvement can be addressed promptly. Ongoing monitoring is a key component of QAIP, as it involves regular review of performance against the standards and adapting processes as necessary to meet objectives.

The IIA's International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 295

Which of the following tools would be most useful to an internal auditor performing an assessment of the effectiveness of the organization's risk responses?

A. Heat map.

B. Risk and control matrix.

C. Risk register.

D. Process map.

Answer: C (LEAVE A REPLY)

A risk register would be most useful for an internal auditor assessing the effectiveness of the organization's risk responses. This tool lists all identified risks along with their severity, ownership, and the actions taken to mitigate them, making it a key resource for evaluating whether the responses have been effective and align with the organization's risk appetite and management strategies.

IIA guidance on risk assessment and management

NEW QUESTION: 296

An internal auditor notes that inventory counts are conducted on Mondays only and that all documentation is on paper as there are no computers in the underground warehouses. Also she notices that the person responsible for receiving the goods is the same one who distributes materials and spare parts Finally, she sees that spare parts are written off and taken by the heads of mining units to different underground locations to wait for their turn to be installed. Which of the described findings requires more consideration from a fraud risk perspective?

A. The job responsibilities of the warehouse employee compromise segregation of duties

B. Spare parts are written off before their actual usage and installation

C. Warehouse management is conducted on paper and requires further investigation

D. The inventory counts take place on specific days of the week for no apparent reason

Answer: A (LEAVE A REPLY)

The job responsibilities of the warehouse employee, where the same individual is responsible for receiving goods and distributing materials and spare parts, compromise segregation of duties. This lack of segregation poses a significant fraud risk because it allows a single individual to control multiple aspects of the inventory process, increasing the opportunity for misappropriation or manipulation of inventory without adequate checks or oversight.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Practice Guide:

Assessing Fraud Risks

NEW QUESTION: 297

According to IIA guidance, which of the following statements is true regarding consulting engagements performed by the internal audit activity?

A. Consulting engagements typically involve four or five parties: the internal audit activity, engagement client, senior management, board, and sometimes the external auditor.
B. The scope of a consulting engagement is determined by either the engagement supervisor or chief audit executive, and it is finalized prior to beginning fieldwork.
C. According to the Standards, internal auditors are permitted to carry out certain management functions during a consulting engagement.
D. A preliminary risk assessment may not be needed for consulting engagements, because the expectations and objectives of the engagement are determined by the engagement client.
Answer: (SHOW ANSWER)
According to IIA guidance, the scope of a consulting engagement is determined by either the engagement supervisor or the chief audit executive (CAE), and it is finalized before beginning fieldwork. This ensures that the objectives, deliverables, and expectations are clearly defined and agreed upon by all parties involved. This clear definition helps guide the consulting engagement, ensuring that it meets the client's needs and aligns with the internal audit activity's capabilities.
The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
IIA's International Professional Practices Framework (IPPF).
"Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on Consulting Services.

NEW QUESTION: 298
Which of the following statements is true regarding the quality assurance and improvement program (QAIP)?
A. Reporting on the QAIP to the board should occur at least once every five years
B. The responsibility for the selection of an external assessor rests with the board
C. The qualifications of the assessors must be communicated to the board
D. The reporting of outcomes of the QAIP can be delegated to senior audit staff
Answer: C (LEAVE A REPLY)
The qualifications of the assessors must be communicated to the board. This requirement ensures that the board is aware of the credibility and expertise of the external assessors, affirming that the quality assurance review is conducted by professionals with the necessary skills and experience. This is crucial for maintaining trust in the QAIP process and its outcomes.
IIA Standard on Quality Assurance and Improvement Program

NEW QUESTION: 299
The accounting department asked the chief audit executive (CAE) to perform a review of suspicious transactions The CAE was an accounting manager for the organization six months ago How should she respond to the request?
A. Decline, if it is consulting engagement because she recently worked in the organization s accounting department

B. Accept, 11 is an assurance engagement, as she has been out of the department long enough to not impair objectivity.
C. Inform the accounting department mat me engagement can take place m the future once she has been removed from accounting for a longer period of time.
D. Accept, it is a consulting engagement with agreed-upon scope and services to be provided by me internal audit activity.
Answer: A (LEAVE A REPLY)
The chief audit executive (CAE) should decline the request to perform a review of suspicious transactions if it is a consulting engagement, particularly because she recently worked in the organization's accounting department. The close temporal proximity (six months ago) between her managerial role in the department and the present could impair her objectivity and independence in evaluating the transactions.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Code of Ethics

NEW QUESTION: 300
During the audit of taxation processes in the organization internal auditors have verified that all employees of the finance department received training on taxation guidelines. The training is mandatory and is automatically assigned via email invitation to all new employees in the department. Which type of controls have the auditors tested?
A. Directive
B. Preventive
C. Detective
D. Automatic
Answer: (SHOW ANSWER)
In this scenario, the auditors have tested preventive controls. Preventive controls are designed to deter unwanted events before they occur. The mandatory training on taxation guidelines for finance department employees is a preventive measure, as it aims to prevent errors or violations in taxation processes by ensuring all employees are well informed and compliant from the start. The automation of training assignment further supports the preventive nature of this control.
IIA guidance on types of controls

NEW QUESTION: 301
During the planning stage of an assurance engagement, a payroll clerk informed the internal auditor that he is often asked to add new employees to the payroll without any formal new-hire documentation from human resources. The auditor is concerned that this increases the risk for fraud. To complete engagement planning, which of the following is the most appropriate next step for the auditor to take?
A. Increase the sample size to be tested, ensuring a thorough review of the payroll records.

B. Advise the chief audit executive of the clerk's assertion, despite the lack of supporting evidence.
C. Ask the clerk to provide a list of any suspicious new employee names on the payroll.
D. Investigate the matter further to understand precisely how many payroll records were affected.
Answer: B (LEAVE A REPLY)
When a payroll clerk informs the auditor of potential issues like adding new employees to the payroll without proper documentation, it is essential to escalate this concern appropriately. The internal auditor should inform the chief audit executive (CAE) of the assertion, as it raises a significant red flag regarding potential fraud or control weaknesses. This step ensures that the CAE is aware of the situation and can decide on the necessary follow-up actions, such as further investigation or adjusting the audit scope to address the risk.
IIA Standard 1220: Due Professional Care
IIA Standard 2120: Risk Management

NEW QUESTION: 302
The chief audit executive of a large national retailer is reviewing the purpose and objectives of the organization's internal audit activity Which of the following objectives is best aligned with The IIA's Mission of Internal Audit?
A. To implement a quality assurance and improvement program
B. To assess the effectiveness of internal controls over organizational assets
C. To ensure internal auditors possess the competencies needed to perform their responsibilities
D. To operate within the budget established by the board of directors
Answer: B (LEAVE A REPLY)
The IIA's mission for internal audit emphasizes the role of internal audit in enhancing and protecting organizational value by providing risk-based and objective assurance, advice, and insight. Assessing the effectiveness of internal controls over organizational assets directly aligns with this mission as it focuses on providing assurance on the control environment and operational effectiveness, which are crucial for protecting assets and ensuring reliable financial reporting and compliance.

The Institute of Internal Auditors (IIA) - Mission of Internal Audit

NEW QUESTION: 303

Which of the following actions is a chief audit executive most likely to take in order to identify gaps in the internal audit activity's knowledge, skills, and competencies?

A. Complete a skills assessment of the internal audit activity based on. The IIA Global Internal Audit Competency Framework.

B. Develop a competency assessment tool for the internal audit activity based on The IIA Global Internal Audit Competency Framework.

C. Incorporate the basic criteria for competency of the internal audit activity into the job descriptions of potential internal auditors,

D. Develop an internal audit activity plan for training internal auditors to perform required assurance and consulting activities.

Answer: A (LEAVE A REPLY)

The most likely action a chief audit executive would take to identify gaps in the internal audit activity's knowledge, skills, and competencies is to complete a skills assessment of the internal audit activity based on The IIA Global Internal Audit Competency Framework. This framework provides a structured and comprehensive approach to assess the current capabilities and identify any areas requiring improvement or development within the audit team.

The Institute of Internal Auditors (IIA) - Global Internal Audit Competency Framework.

NEW QUESTION: 304

According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?

1. Consult on CSR program design and implementation.
2. Serve as an advisor on CSR governance and risk management.
3. Review third parties for contractual compliance with CSR terms.
4. Identify and mitigate risks to help meet the CSR program objectives.

A. 1 2, and 4.

B. 1,2, and 3,

C. 2, 3, and 4.

D. 1, 3, and 4.

Answer: (SHOW ANSWER)

NEW QUESTION: 305

Which data analytics competency is critical for new internal auditors to possess in order to plan and perform internal audit engagements in conformance with the Standards?

A. Describe data analytics and the application of data analytics methods in internal auditing.

B. Apply data analytics methods in internal auditing.

C. Evaluate the use of data analytics in an internal audit.
D. Understand the definition of data analytics only.
Answer: B (LEAVE A REPLY)
It is critical for new internal auditors to possess the competency to apply data analytics methods in internal auditing. This involves not just understanding or describing these methods, but actively utilizing them to enhance the planning and performance of internal audit engagements, thereby ensuring these engagements conform to the Standards.
The IIA ' s competency framework for internal auditors, which emphasizes the application of data analytics in audit practices.

NEW QUESTION: 306
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 advisor 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 (LEAVE A REPLY)
To ensure compliance with an organization's code of conduct, the chief audit executive should act as an advisor to the committee responsible for reviewing violations of the code. This role allows the CAE to contribute expertise and oversight without directly managing the process, which helps maintain the necessary independence and objectivity of the internal audit function.
IIA guidance on the role of the internal audit in governance, particularly relating to compliance with codes of conduct.

NEW QUESTION: 307
An internal auditor is reviewing the results of an employee survey at a mining company. Which of the following would alert the auditor to a potential ethics issue?
A. Women account for 20% of the total number of employees in the company.
B. Thirty percent of employees feel confident in raising concerns without a fear of retaliation.
C. Most employees believe that transparent and fair decision-making forms the basis of business ethics.
D. Employees with longer work experience believe that they deserve more privileges than new hires.
Answer: B (LEAVE A REPLY)
A low percentage of employees feeling confident in raising concerns without fear of retaliation indicates a potential ethics issue within the organization. It suggests that the company might have a culture that does not adequately protect whistleblowers, which can lead to ethical lapses and noncompliance with laws and regulations. References:

* IIA guidance on ethics and whistleblower protection.
* COSO Framework on organizational culture and ethics.

NEW QUESTION: 308

An internal auditor is assessing fraud risks and creating a fraud risk matrix for a particular branch location.
Which of the following is most likely to be included in the matrix?

A. Risks and relevant mitigating controls.
B. Business processes and relevant fraud risks.
C. Fraud scenarios and relevant risks.
D. Opportunity, rationalization, and pressure to commit fraud.

Answer: (SHOW ANSWER)

In creating a fraud risk matrix, an internal auditor would most likely include fraud scenarios along with the relevant risks associated with each scenario. This approach allows for a detailed analysis of specific fraudulent acts that could occur and the risk levels pertaining to different areas of operation within the branch.
This is essential for identifying and prioritizing fraud risks and helps in designing or enhancing controls to mitigate these risks effectively.
IIA guidance on fraud risk management.

NEW QUESTION: 309

According to The IIA ' s Code of Ethics, an internal auditor who has a romantic relationship with an audit client violates which of the following rules of conduct?

A. Confidentiality.
B. Independence.
C. Integrity.
D. Objectivity.

Answer: D (LEAVE A REPLY)

An internal auditor who has a romantic relationship with an audit client violates the rule of objectivity.
Objectivity requires that auditors make balanced assessments of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. A romantic relationship could impair an auditor ' s objectivity by creating a conflict of interest or the perception of bias.References: The IIA
' s Code of Ethics.

NEW QUESTION: 310

A telecommunications organization is planning to cease operations in one or the markets in which it operates due to increasing volatility and uncertainties. Which of the following risk management techniques is the organization selecting?

A. Risk acceptance.

B. Risk avoidance.
C. Risk sharing.
D. Risk reduction.
Answer: (SHOW ANSWER)
The organization's decision to cease operations in a market due to increasing volatility and uncertainties represents a risk avoidance technique. Risk avoidance involves actions taken to eliminate the exposure to risk entirely, often by discontinuing the activities that generate the risk. In this scenario, by exiting the market, the organization avoids the potential negative impacts associated with the volatile and uncertain environment.
The IIA Standards: Standard 2120 - Risk Management: " The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. " COSO ERM Framework: Describes risk avoidance as a strategy where organizations opt to avoid risk by discontinuing the activities that produce the risk.

NEW QUESTION: 311
A significant number of employees expressed concerns of a hostile work environment within a large manufacturing plant, which is in contrast to the organization ' s stated culture of tolerance and open communication. Which of the following approaches would be most effective for an internal auditor to assess whether the organization supports a culture of tolerance and open communication?
A. Assess plant employees ' social media activity for specific messages related to tolerance and open communication
B. Compare plant employees' compensation and benefits with those at similar sized organizations that have a stated culture of tolerance and open communication.
C. Evaluate organization policies and procedures for references related to encouraging tolerance and open communication.
D. Conduct a meeting with all plant employees and management to discuss tolerance and open communication
Answer: C (LEAVE A REPLY)
The most effective approach for an internal auditor to assess whether the organization supports a culture of tolerance and open communication, particularly in the context of reported issues within a large manufacturing plant, is to evaluate organization policies and procedures for references related to encouraging tolerance and open communication. This method directly targets the formal expressions of the organization ' s values and rules, offering concrete evidence of stated commitments and practices.
Auditing cultural aspects and workplace environment involves reviewing formal policies and procedures to ensure they align with stated values, as recommended in IIA guidance on assessing organizational culture.

NEW QUESTION: 312

A chief audit executive (CAE) is considering hiring a candidate who most recently worked for a large public accounting firm What would be the CAE's most likely concern regarding this candidate*?

A. Low-level audit expertise

B. Narrow industry experience

C. MPotential conflict of interest

D. Weak interpersonal skills

Answer: C (LEAVE A REPLY)

The chief audit executive's most likely concern regarding a candidate who most recently worked for a large public accounting firm is the potential conflict of interest. This is particularly relevant if the candidate was involved in auditing the organization or its competitors, or if they have relationships that could influence their objectivity.

IIA Code of Ethics and Standards on Objectivity

NEW QUESTION: 313

An external assessment of an organization's internal audit activity was last completed four years ago Which of the following options would be acceptable this year if the internal audit activity is to fulfill the requirements of the Standards?

A. The internal audit activity conducts a self-assessment that is validated by a qualified and experienced internal auditor and then schedules a qualified, independent external assessor

B. The board nominates an independent individual from senior management in the organization to conduct an assessment of the internal audit activity

C. An external auditor conducts an audit of the organization which includes information about the internal audit activity

D. The chief audit executive schedules a self-assessment and the board approves the results

Answer: (SHOW ANSWER)

The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity.

The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 314

Which of the following procedures will best help an internal auditor assess operating effectiveness of fraud prevention and detection controls?

A. Benchmarking best practices
B. Testing,
C. Mapping,
D. Interviewing
Answer: (SHOW ANSWER)
Testing is the most effective procedure for assessing the operating effectiveness of fraud prevention and detection controls. By testing specific controls designed to prevent and detect fraud, the auditor can evaluate whether the controls are functioning as intended and whether they are being applied consistently. This approach provides direct evidence about the effectiveness of the controls in the operational environment.
IIA guidance on assessing controls; Auditing standards on testing control effectiveness.

NEW QUESTION: 315
The chief audit executive (CAE) decided to conduct a self-assessment with independent validation. Which of the following is the most likely reason the CAE selected this course of action?
A. The audit committee requested the self assessment for quality assurance purposes
B. The staff auditors have the necessary knowledge and experience to conduct the review
C. The internal audit activity is relatively small in size and is due for an external assessment
D. The internal audit activity is due for a self-assessment which is specifically required at least once every five years
Answer: (SHOW ANSWER)
The most likely reason the chief audit executive (CAE) decided to conduct a self-assessment with independent validation is that the internal audit activity is relatively small in size and is due for an external assessment. Self-assessment with independent validation (SAIV) is an alternative approach recognized by the IIA for smaller audit functions, where a full external assessment might be impractical or overly burdensome. This method maintains the quality assurance requirements within the constraints of the organization's size and resources.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Standard 1312 - External Assessments

NEW QUESTION: 316
Which of the following would most likely be classified as a consulting engagement?
A. Examining the internal control effectiveness of the marketing department
B. Assessing the adequacy of the IT system ' s business process design
C. Facilitating a self assessment of the organizations business risk and control identification
D. Reviewing the application controls in the human resources system
Answer: (SHOW ANSWER)

Facilitating a self-assessment of the organization ' s business risk and control identification is most likely to be classified as a consulting engagement. This type of activity involves helping the organization with advice and assistance to manage and improve its risk management, control, and governance processes, which aligns with the definition of consulting services provided by internal auditors.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 317
According to IIA guidance, which of the following is true of the internal audit activity's quality assurance and improvement program?
1 Monitoring the internal audit activity's performance must be ongoing
2 All aspects of the internal audit activity should be evaluated
3 The requirement for external assessments can be satisfied through self-assessments that are validated by an independent external party
4 The review of assurance services should be the primary focus
A. 1 and 2 only
B. 2 and 3 only
C. 1, 2 and 3
D. 1 3 and 4
Answer: C (LEAVE A REPLY)
According to IIA guidance on the quality assurance and improvement program:
* Monitoring of the internal audit activity's performance must indeed be ongoing to ensure continuous improvement.
* All aspects of the internal audit activity should be evaluated, not just selected parts.
IIA Standard 1300 - Quality Assurance and Improvement Program

NEW QUESTION: 318
In a small organization, management is unable to achieve adequate segregation of duties for its cash-handling procedures Therefore hidden surveillance cameras were installed to monitor cash-handling activities Which of the following best describes this type of control?
A. Corrective control
B. Process-level control

C. Compensating control
D. Preventive control
Answer: C (LEAVE A REPLY)
In a small organization where management cannot achieve adequate segregation of duties for its cash- handling procedures, installing hidden surveillance cameras to monitor these activities is an example of a compensating control. Compensating controls are alternative measures implemented to mitigate risk when primary controls (such as segregation of duties) cannot be fully achieved. These controls help maintain security and oversight despite limitations in the control environment.
Internal control frameworks and best practices.

NEW QUESTION: 319
According to IIA guidance, which of the following statements is true regarding ISO 31000?
A. The key principles approach checks whether each element of the risk management process is in place.
B. The framework is effective in addressing the organization's structure, size, and risk profile but not its culture objectives.
C. The end point for improving an organization s approach to risk management should be a gap analysis that evaluates any changes.
D. A combination of the three primary approaches to the framework generally yields the most information despite the complexity
Answer: (SHOW ANSWER)
According to IIA guidance, ISO 31000 recommends that utilizing a combination of the three primary approaches to the framework (ISO 31000) often provides the most comprehensive insights despite the complexity involved. This approach allows for a more robust and holistic understanding of the organization's risk management practices by integrating multiple perspectives and methodologies.
The Institute of Internal Auditors (IIA) provides guidance on utilizing standards such as ISO 31000 in internal audit practices, emphasizing the value of a comprehensive approach.

NEW QUESTION: 320
Which of the following best describes organizational governance processes?
A. Processes employed by internal and external assurance providers to authorize, direct, and provide oversight to management to better enable the meeting of organizational objectives
B. Processes employed by the board of directors to authorize and provide guidance and oversight to management to promote the achievement of organizational objectives.
C. Processes employed by the board of directors and senior management to mitigate risks to acceptable levels.
D. Processes employed by risk owners to mitigate risks to acceptable levels within the organization ' s risk appetite

Answer: B (LEAVE A REPLY)
Organizational governance processes are best described as the processes employed by the board of directors to authorize, provide guidance, and oversee management to promote the achievement of organizational objectives. This definition captures the essence of governance as the framework through which the highest level of strategic decision-making and oversight occurs within an organization.
IIA guidance on governance and the role of the board

NEW QUESTION: 321
Which of the following is the best example of an ongoing independent monitoring activity?
A. Management quality assurance activities
B. Internal audit fraud prevention and detection activities
C. Management and supervisory activities
D. External audit quality assurance activities
Answer: (SHOW ANSWER)
Internal audit fraud prevention and detection activities are the best example of an ongoing independent monitoring activity among the options provided. These activities are designed to be independent of the management and are critical in continuously monitoring and identifying potential fraudulent activities within the organization.
IIA standards on fraud and monitoring

NEW QUESTION: 322
How should the internal audit activity promote continuous improvement of organizational controls?
A. By assessing implementation of controls m individual processes during audit engagements
B. By identifying the most significant business processes and designing effective controls for those processes
C. By implementing an internationally accepted internal control framework across the organization
D. By facilitating control self-assessment sessions for managers responsible for business processes
Answer: D (LEAVE A REPLY)
The internal audit activity can promote continuous improvement of organizational controls by facilitating control self-assessment (CSA) sessions. These sessions involve managers and staff in evaluating the effectiveness of controls within their areas of responsibility. This approach not only promotes ownership of controls among process owners but also helps identify areas for improvement and fosters a culture of continuous improvement. By engaging managers in these assessments, internal auditors can help ensure that controls are understood, effective, and continually refined based on feedback and changes in the risk environment.

IIA Practice Guide: Control Self-Assessment
IIA Standard 2130: Control

NEW QUESTION: 323
Which of the following specifications in an internal audit charter is the most important factor in the internal audit activity's independence?
A. Description of internal audit activity's responsibilities
B. Definition of internal auditing
C. Statement of internal audit activity's authority
D. Description of internal audit activity's reporting structure
Answer: D (LEAVE A REPLY)
The most important factor in the internal audit activity's independence specified in an internal audit charter is the description of the internal audit activity's reporting structure. This element defines to whom the chief audit executive reports functionally and administratively, which is critical to ensuring the independence and objectivity of the internal audit function from management and other potential sources of bias.
The IIA's International Standards for the Professional Practice of Internal Auditing on independence and objectivity.

NEW QUESTION: 324
Which of the following fundamental principles of The IIA ' s Code of Ethics is best described as performing work honestly diligently and responsibly?
A. Integrity
B. Proficiency
C. Due Professional Care
D. Competency
Answer: A (LEAVE A REPLY)
The fundamental principle of The IIA ' s Code of Ethics best described as performing work honestly, diligently, and responsibly is Integrity. This principle is foundational to the ethical conduct expected of internal auditors, underpinning their professional behavior and ensuring trust in their work and judgments.
References: The IIA ' s Code of Ethics, specifically the section on Integrity, which outlines the expectation for internal auditors to work with honesty and diligence.

NEW QUESTION: 325
The board requested the chief audit executive (CAE) to provide consulting services for a new systems implementation project Which of the following statements is true regarding this scenario?
A. The CAE should avoid making decisions on risk responses within risk management processes.

B. The CAE may only provide consulting and not assurance services in risk management processes
C. The CAE may manage the project risks on behalf of management in this particular situation
D. The CAE should avoid giving assurance on risk management processes in this particular situation
Answer: A (LEAVE A REPLY)
In the scenario where the board requests the chief audit executive (CAE) to provide consulting services for a new systems implementation project, the CAE should avoid making decisions on risk responses within risk management processes. The CAE's role is to provide independent and objective assurance and consulting services. Making decisions on risk responses would impair the CAE's independence and objectivity, which are crucial for the internal audit function. Instead, the CAE can provide advice and recommendations on risk management practices while ensuring that management retains responsibility for decision-making.
The IIA Standards: Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing: "If the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity." The IIA Practice Guide: "Independence and Objectivity": Discusses the importance of maintaining independence and objectivity in consulting engagements.

NEW QUESTION: 326
Which of the following situations is most likely to threaten the independence of the internal audit activity?
A. The chief audit executive reports functionally to the board and administratively to the CEO.
B. The annual budget for the internal audit activity is approved by the chief financial officer.
C. The internal audit activity is completely outsourced to an external service provider.
D. The internal audit manager provides consulting services to the procurement department, where she worked during the prior year.
Answer: (SHOW ANSWER)
The independence of the internal audit activity can be threatened if the annual budget for the internal audit activity is approved by the chief financial officer (Option B). This situation creates a potential conflict of interest because the CFO has a significant influence over the internal audit activity ' s resources, which may impact its ability to operate independently and objectively. According to the IIA Standards, Standard 1110:
Organizational Independence, the internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. Functional reporting to the board and administrative reporting to the CEO (Option A) supports independence, while outsourcing and providing consulting services (Options C and D) do not inherently threaten independence as long as proper safeguards are in place.

IIA Standards, Standard 1110: Organizational Independence
IIA Practice Guide: Independence and Objectivity

NEW QUESTION: 327
When beginning an engagement to assess the effectiveness of the organization's newly revamped risk management processes, which of the following should internal auditors review first?
A. Key risk disclosures in the annual report.
B. Existing risk assessment and identification processes.
C. Organizational strategy and business plans.
D. Risk mitigation plans and risk responses.
Answer: (SHOW ANSWER)
When assessing the effectiveness of the organization's newly revamped risk management processes, internal auditors should first review the organizational strategy and business plans. This review helps auditors understand the context and priorities of the organization, which are crucial for evaluating how well the risk management processes are aligned with strategic objectives.
Best practices and standards from the IIA regarding assessing risk management processes, emphasizing alignment with organizational strategies.

NEW QUESTION: 328
Which of the following scenarios is a characterize of an organization with a highly effective ethical culture?
A. An organization implements and communicates to staff a formal and comprehensive code of conduct, which is clear and understandable.
B. An organization waives reference and background checks when hiring for certain sensitive positions in order to not violate potential employees' rights to privacy.
C. An organization punishes senior management more harshly for ethics violations than it would for lower- level staff to send a message throughout the organization.
D. An organization conducts surveys of employees, suppliers, and customers once every five years to determine the slate of the ethical climate in the organization.
Answer: (SHOW ANSWER)
A hallmark of an organization with a highly effective ethical culture is the implementation and clear communication of a comprehensive code of conduct. This code provides guidance on expected behaviors and decision-making processes that align with the organization's ethical standards, thereby reinforcing a strong ethical framework within the organization.
Institute of Internal Auditors (IIA) - Guidance on Promoting an Ethical Culture

NEW QUESTION: 329

Which of the following best describes why a chief audit executive might obtain the services of a fraud specialist to assist in a major fraud investigation?
A. Fraud specialists are better at using crime scene investigation techniques.
B. Fraud specialists are better equipped to act as an expert witness in court.
C. Fraud specialists are better at using computer-assisted audit techniques.
D. Fraud specialists are better able to properly apply due professional care.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 330
A newly hired chief audit executive is reviewing available documentation to provide evidence of conformance with the standard for continuing professional development. Which of the following documents is the most reliable source for this purpose?
A. The organization's training policy.
B. A list of auditors who requested to attend the next audit conference.
C. Self-assessments against an internally developed audit benchmark
D. In house training manual
Answer: A (LEAVE A REPLY)
The most reliable source of documentation for conformance with the standard for continuing professional development is the organization's training policy. This policy typically outlines the requirements for ongoing education, training, and professional development for internal auditors. It may include mandatory training hours, the types of training that qualify, and procedures for tracking and reporting completed training. Other documents, such as a list of auditors attending a conference or an in-house training manual, may provide evidence of individual training activities but do not provide comprehensive proof of an ongoing commitment to professional development across the entire internal audit activity.
IIA Standard 1230: Continuing Professional Development
IIA Practice Guide: Continuing Professional Development

NEW QUESTION: 331
Senior management relies on the professional judgment of an internal auditor and uses outcomes of her audit work to make business decisions Which of the following personal qualities displayed by the internal auditor is most likely the foundation for this relationship?
A. Integrity
B. Negotiation skills.
C. Business acumen
D. Flexibility
Answer: (SHOW ANSWER)
The personal quality of integrity is most likely the foundation for the relationship where senior management relies on the professional judgment of an internal auditor. Integrity ensures that the auditor conducts her work ethically and objectively, provides truthful and

accurate assessments, and adheres to both the standards of the profession and the organization's policies. This quality builds trust and reliability in the auditor's findings and recommendations.
The IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 332
Which of the following statements is true regarding control activities'?
A. Control activities are defined by management through risk mitigation strategies
B. Control activities should be defined for all business processes
C. If two organizations have identical objectives and structures their control activities would be the same
D. Organizations that are less regulated generally have more complex control activities than highly regulated organizations
Answer: A (LEAVE A REPLY)
Control activities are specific actions defined by management aimed at mitigating risk to the achievement of objectives. They are part of the broader internal control framework, which management designs according to the organization's risk management strategies. These activities can vary widely across different organizations depending on the specific risks they face and the strategies management employs to mitigate these risks.
COSO Framework on Internal Controls

NEW QUESTION: 333
According to IIA guidance, which of the following most appropriately justifies the CEO's decision that the internal audit activity shall be responsible for risk management and investigation at a multinational organization?
A. The recommendation of the parent office external auditors.
B. The provisions of the internal audit charter
C. The authority of the CEO.
D. The level of proficiency of the chief audit executive
Answer: B (LEAVE A REPLY)

According to IIA guidance, any additional roles beyond traditional audit functions, such as being responsible for risk management and investigation, must be explicitly defined in the internal audit charter. This document, approved by senior management and the board, delineates the scope and responsibilities of the internal audit function, ensuring clarity and proper governance. Thus, if the internal audit charter stipulates such roles, it justifies the CEO's decision.
IIA Standard 1000 - Purpose, Authority, and Responsibility

NEW QUESTION: 334
The management team of an agricultural organization has prioritized corporate social responsibility (CSR) initiatives. Which of the following would be considered a CSR activity?
A. Offering a one-off donation to an environmental charity for its expansion efforts
B. Organizing organization volunteers to provide periodic plantation skill sharing to farmers
C. Providing special year-end monetary bonuses to the organization's employees at all levels
D. Arranging a free-of-charge picnic for all of the organization's employees and their family members
Answer: (SHOW ANSWER)
Organizing volunteers from the organization to provide periodic plantation skill sharing to farmers represents a corporate social responsibility (CSR) activity. This initiative not only supports community development but also aligns with sustainable agricultural practices, which is especially relevant for an agricultural organization.
This activity focuses on giving back to the community and enhancing sustainability, both key aspects of CSR.
Definitions and examples of CSR in industry guidelines

NEW QUESTION: 335
Which of the following best describes a consulting engagement rather than an assurance engagement?
A. Bank internal auditors review an activity checklist to determine that the loan officer followed proper procedures.
B. The chief financial officer asks for the internal auditor's opinion regarding whether the new accounting pronouncements were properly and comprehensively adopted.
C. An internal auditor is assigned to assess whether a proposed new initiative to convert a customer service system would be cost-effective.
D. Senior management asks the internal audit activity to review compliance with customer data security regulations.
Answer: B (LEAVE A REPLY)
Consulting engagements often involve providing advice or opinions at management's request. In this case, providing input on the accounting pronouncements falls under a consulting capacity, consistent with IIA definitions of consulting services.

NEW QUESTION: 336

Which of the following accurately describes the concept of inherent risk?

A. Risk factors that exist when controls are in place and operating effectively

B. Internal risk factors assuming no controls are in place

C. Risk factors that cannot be mitigated because they are innate to a process

D. Combination of internal and external risk factors in their pure state assuming no controls are in place

Answer: (SHOW ANSWER)

Inherent risk refers to the exposure or possibility of an adverse outcome arising in an activity or environment, assuming no controls are in place to mitigate it. This risk exists independently of any action by the organization and considers both internal and external risk factors in their natural, uncontrolled state.

Institute of Internal Auditors (IIA) Glossary and Standards.

NEW QUESTION: 337

Which of the following statements would typically be included in the responsibility section of the internal audit charter?

A. The internal audit activity will have free and unrestricted access to the chief executive officer, audit committee, and chairman of the board of directors.

B. The internal audit activity shall develop a flexible audit plan, based on a risk assessment conducted at least annually and taking into consideration the risks or control concerns identified by management, and shall submit the plan to the board for approval.

C. The chief audit executive shall obtain the necessary assistance of personnel in areas where audits are performed, as well as specialized services within or outside of the organization.

D. The internal audit activity will not implement controls, develop procedures, install systems, prepare records, or engage in activities that may impair internal auditors' judgments.

Answer: (SHOW ANSWER)

The statement that the internal audit activity shall develop a flexible audit plan based on risk assessment and submit this plan to the board for approval is typically found in the responsibilities section of the internal audit charter. This element emphasizes the planning aspect of audit activities, showcasing the audit's alignment with organizational risks and the governance structure's oversight.

IIA's International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 338

With regard to the internal audit activity ' s quality assurance and improvement program, which of the following topics would the chief audit executive include on the quarterly board meeting agenda?

A. The scope and frequency of both internal and external quality assessments.
B. The list of audit engagements that will be assessed during the year.
C. The number and qualifications of internal audit staff members assigned to perform internal assessments during the year.
D. The compensation structure of the qualified assessment team.
Answer: A (LEAVE A REPLY)
The chief audit executive (CAE) would include the scope and frequency of both internal and external quality assessments on the quarterly board meeting agenda as part of the internal audit activity ' s quality assurance and improvement program. This topic is essential for ensuring the board is informed about the mechanisms in place to maintain and enhance the quality of the internal audit function. Regular updates on quality assessments help the board understand the effectiveness of the internal audit activity and its commitment to continuous improvement.
The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) - Standard
1311: Internal Assessments and Standard 1312: External Assessments.
The IIA's Quality Assessment Manual.

NEW QUESTION: 339
The management at a national consumer goods organization implements a fair work and pay practice as well as a policy to treat employees equitably and consistently.
Which common characteristics of fraud will the practice and policy most likely reduce?
A. Pressure or incentive.
B. Opportunity.
C. Rationalization.
D. Commitment.
Answer: A (LEAVE A REPLY)
Implementing fair work and pay practices and a policy to treat employees equitably and consistently will most likely reduce the pressure or incentive as a common characteristic of fraud. These measures can help diminish feelings of unfair treatment or dissatisfaction among employees, which are often drivers behind the rationalization for committing fraud.
Fraud Triangle and organizational behavior literature.

NEW QUESTION: 340
An internal audit team was assigned to review the organization's information security protocol After fieldwork was completed an internal auditor identified an error in the review of security access The error could affect the overall results of the engagement Which of the following is the most appropriate course of action for the internal auditor?
A. Proceed with addressing the error and report any corrections to the engagement supervisor during the scheduled exit meeting

B. Inform the engagement supervisor of the error and allow the supervisor to determine the appropriate action to take
C. Issue the audit report to senior management on schedule but include a disclaimer about the error
D. Proceed with the scheduled closing of the engagement without consideration of the identified error
Answer: B (LEAVE A REPLY)

NEW QUESTION: 341
During a payroll audit, the internal auditor discovered that several individuals who have the same position classification as he are earning a significantly higher salary. The auditor noted the names and amounts of each, and he planned to prepare a request to the chief audit executive for a salary increase based on this information. Which of the following IIA Code of Ethics principles was violated in this scenario?
A. Competency.
B. Objectivity,
C. Integrity.
D. Confidentiality
Answer: D (LEAVE A REPLY)
The scenario described involves a violation of the principle of confidentiality as defined in The IIA ' s Code of Ethics. The internal auditor misused information obtained during the course of an audit (salary data of colleagues) for personal gain (requesting a salary raise). This breaches the ethical principle of confidentiality, which mandates that auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
The IIA ' s Code of Ethics on Confidentiality.

NEW QUESTION: 342
A risk assessment showed that the cost of addressing a particular risk in the organization's human resources department is greater than the perceived benefit. Which risk response approach should the organization take in this scenario?
A. Reduce the risk.
B. Transfer the risk.
C. Accept the risk.
D. Share the risk.
Answer: C (LEAVE A REPLY)
When a risk assessment shows that the cost of addressing a particular risk is greater than the perceived benefit, the appropriate risk response approach is to accept the risk. Risk acceptance means acknowledging that the risk exists but deciding not to take any action to mitigate it, usually because the cost of mitigation is higher than the potential impact. This

approach is a rational decision when the risk is deemed to have a low likelihood or impact, or when other controls are considered sufficient.
The IIA Standards: Standard 2120 - Risk Management: "The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes." COSO ERM Framework: Discusses risk response options including risk acceptance as a viable strategy when the cost-benefit analysis justifies it.

NEW QUESTION: 343
Which of the following is a primary benefit of implementing a governance risk management and compliance framework within an organization?
A. Automated risk management strategy tools
B. More effective interviews
C. Fewer internal audits
D. Reduced assurance costs
Answer: (SHOW ANSWER)

NEW QUESTION: 344
Which of the following is true about a system of internal control?
A. Internal control should be updated at least annually.
B. Technology does not change the internal control landscape.
C. Strategy should fit the system of internal control.
D. Articulating measurable objectives is part of internal control.
Answer: D (LEAVE A REPLY)
The statement that articulating measurable objectives is part of internal control is true. A system of internal control is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.
COSO Framework for Internal Control, which emphasizes the importance of clear, measurable objectives in effective internal control systems.

NEW QUESTION: 345
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: (SHOW ANSWER)

The scenario where 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 best illustrates a rationalization as the root cause of potential fraud. This situation could lead these managers to feel justified in committing fraud, believing they are undervalued or unfairly treated, which is a common form of rationalization in fraudulent activities.
Fraud triangle theory, which includes rationalization as one of the key elements leading to fraud, as discussed in various IIA resources on fraud and ethical behavior.

NEW QUESTION: 346
According to IIA guidance which of the following correctly describes the standard risk treatments outlined in the process element approach of the framework for risk management?
A. Risk avoidance risk sharing application of controls, risk application.
B. Risk avoidance risk identification application of controls risk acceptance.
C. Risk identification risk assessment risk avoidance risk monitoring
D. Risk identification risk assessment application of controls risk acceptance
Answer: D (LEAVE A REPLY)
According to IIA guidance, the standard risk treatments outlined in the process element approach of the framework for risk management include the following steps:
* Risk Identification: Identifying potential risks that could affect the achievement of objectives.
* Risk Assessment: Evaluating the identified risks in terms of their likelihood and impact.
* Application of Controls: Implementing measures to mitigate or manage the identified risks.
* Risk Acceptance: Deciding to accept the risk when it falls within the organization's risk appetite or tolerance levels.
These steps are part of a structured approach to managing risks, ensuring that risks are systematically identified, assessed, and managed through appropriate controls and that acceptance of residual risks is aligned with the organization's strategic objectives and risk appetite.
IIA Practice Guide: Assessing the Adequacy of Risk Management Using ISO 31000 COSO Enterprise Risk Management Framework

NEW QUESTION: 347

A senior Internal auditor was hired into a large Internal audit activity. It was agreed upon hiring that the auditor would pursue professional development that would support her ability to take on the role of the head of Internal audit. Which of the following skills best supports this development goal?

A. Data analysis and mining

B. Technical and IT skills.

C. Application of IIA mandatory and supplemental guidance.

D. Risk management and planning.

Answer: C (LEAVE A REPLY)

One of the essential skills for a head of internal audit is the ability to apply the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA). The IPPF consists of mandatory and supplemental guidance that provides the principles, standards, and best practices for internal audit activities. A head of internal audit should be familiar with the IPPF and ensure that the internal audit function conforms to its requirements and expectations. The IPPF also helps the head of internal audit to demonstrate the value and quality of internal audit to the stakeholders.

Additional Information:

Data analysis and mining, technical and IT skills, and risk management and planning are also important, but they are not specific to the role. The mandatory guidance of the IPPF includes the Core Principles, the Code of Ethics, the Standards, and the Definition of Internal Auditing. The supplemental guidance includes Implementation Guidance, Supplemental Guidance, and Practice Advisories.

NEW QUESTION: 348

In the context of an internal control framework, organizational structure and assignment of authority and responsibility is related to which of the following?

A. Control activities.

B. Information and communication.

C. Control environment.

D. Risk assessment.

Answer: (SHOW ANSWER)

NEW QUESTION: 349

Which of the following is true regarding internal audit role's in The IIA's Three Lines Model?

A. As internal control is part of risk management, the internal audit role in risk management implies reduced emphasis on internal control.

B. Internal audit can blur the distinction between the second and the third lines as long as value is added.
C. Internal audit cannot rely on other assurance providers when opining on the effectiveness of risk management.
D. Internal audit should be aligned with first- and second-line functions through effective communication, cooperation, and collaboration.
Answer: D (LEAVE A REPLY)
In The IIA's Three Lines Model, internal audit (the third line) should be aligned with first- and second-line functions through effective communication, cooperation, and collaboration (Option D). This alignment ensures that internal audit activities are coordinated with risk management and control functions while maintaining independence. According to the Three Lines Model, internal audit adds value by providing independent assurance on the effectiveness of governance, risk management, and control processes, which requires ongoing interaction with the first and second lines without compromising objectivity.
IIA's Three Lines Model
IIA Standards, Standard 2050: Coordination and Reliance

NEW QUESTION: 350
Which of the following internal controls best mitigates the risk of corruption schemes between employees and vendors?
A. Establishing policies that prohibit an employee from receiving gifts from an interested party.
B. Having employees sign annual attestations that they adhere to the organization's code of ethics.
C. Having strong management oversight of the purchasing and accounts payable functions.
D. Conducting regular examinations of documentation both paper and electronic.
Answer: C (LEAVE A REPLY)
Strong management oversight of the purchasing and accounts payable functions best mitigates the risk of corruption schemes between employees and vendors. This control ensures that transactions are reviewed and approved at appropriate levels, which helps prevent and detect collusion and corrupt practices.
IIA guidance on preventing and detecting corruption.

NEW QUESTION: 351
Which of the following should catch the internal auditor's attention as a potential red flag for fraud?
A. The accounting unit keeps detailed records and preserves supporting documentation in excess of company requirements
B. One of the subsidiaries has more bank accounts than any other comparable subsidiary
C. The same external audit firm has been with the company for three years without rotation

D. The arithmetic median tenure of employees working at production facilities is 15 years
Answer: B (LEAVE A REPLY)
Having more bank accounts than necessary can be a red flag for fraud, especially in a subsidiary compared to its peers. This scenario (option B) might indicate complexity that is unnecessary and could be used to conceal improper transactions or facilitate unauthorized movements of funds. Excessive bank accounts can complicate tracking and reconciling of funds, which can be exploited for fraudulent purposes. This potential red flag should prompt further investigation by the internal auditor.
IIA guidance on fraud risk indicators

NEW QUESTION: 352
Which principle of the HA Code of Ethics focuses on continuing education and professional development?
A. Due professional care
B. Professionalism
C. Proficiency
D. Competency
Answer: (SHOW ANSWER)
The principle of the IIA Code of Ethics that focuses on continuing education and professional development is Competency. This principle emphasizes the need for internal auditors to maintain their skills and knowledge at a level required to perform their duties competently. Continuing education and professional development are essential to achieving this.
IIA Code of Ethics.

NEW QUESTION: 353
Which of the following best describes the risk created when a manager bypasses organizational policies and procedures in order to meet an organization's objective?
A. Accountability/reward risk.
B. Monitoring failure risk.
C. Communication failure risk.
D. Knowledge/skills risk
Answer: B (LEAVE A REPLY)
The risk created when a manager bypasses organizational policies and procedures to meet an organization's objective is best described as monitoring failure risk. This type of risk arises when there is insufficient oversight or ineffective controls that fail to detect or prevent departures from prescribed procedures, which could lead to non-compliance, inefficiencies, or other adverse outcomes.
IIA guidance on risk categories and management control frameworks.

NEW QUESTION: 354

An investment advisory firm purchased professional liability insurance to offer protection from lawsuits brought by customers claiming they received poor or erroneous advice. Which of the following best describes this risk management technique?

A. Mitigation.

B. Acceptance

C. Transfer.

D. Avoidance

Answer: C (LEAVE A REPLY)

Purchasing professional liability insurance as a way to protect against lawsuits from customers claiming poor or erroneous advice represents a risk transfer strategy. By obtaining insurance, the investment advisory firm transfers the financial risk associated with potential legal actions to the insurance provider. This approach does not eliminate the risk but shifts the burden of financial loss.

Risk management techniques in the financial advisory sector

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NEW QUESTION: 355

Upon completion of an external quality assessment, which of the following would the chief audit executive be required to report to the board?

A. The total time spent to accomplish the external assessment

B. The detailed evaluation results of the external assessment

C. The competency and independence of the external assessment team

D. The timetable and schedule of the next external assessment

Answer: (SHOW ANSWER)

Upon completion of an external quality assessment, the chief audit executive is required to report the detailed evaluation results of the external assessment to the board. This disclosure is crucial as it provides the board with insights into the effectiveness and efficiency of the internal audit function, highlighting areas of strength and opportunities for improvement. It facilitates informed decision-making regarding the internal audit activity's practices and processes.

IIA Standard 1320 - Reporting on the Quality Assurance and Improvement Program

NEW QUESTION: 356

An internal auditor has suspicions that some fictitious vendors have been created in the organization ' s computer system. Which of the following would be the best technique to detect this fraud?

A. Review for duplicate invoice numbers, duplicate dates, and duplicate amounts

B. Run checks to find matches between vendor and employee addresses

C. Check for recurring requests for refunds where invoices are paid twice

D. Review for unexplained increases in inventory

Answer: B (LEAVE A REPLY)

The best technique to detect fictitious vendors in the organization ' s computer system is to run checks to find matches between vendor and employee addresses. This method is effective because fictitious vendors often have addresses that match those of employees creating them. This kind of analysis targets the direct linkage between fraudulent activities and internal entities, which is a common red flag in vendor fraud scenarios.
Association of Certified Fraud Examiners (ACFE) - Techniques for Fraud Detection

NEW QUESTION: 357
A chief audit executive ensures that the internal audit activity provides annual training to management on internal controls. Where is the nature of these services defined?
A. The annual audit plan.
B. The audit report.
C. The annual risk assessment.
D. The audit charter.
Answer: D (LEAVE A REPLY)
The nature of services provided by the internal audit activity, including training management on internal controls, is typically defined in the audit charter. The audit charter outlines the purpose, authority, and scope of the internal audit activity, including any advisory services it provides, such as training. It establishes the framework within which the internal audit team operates and serves as a formal document that specifies the arrangement between the internal audit function and the rest of the organization.
IIA Standard 1000: Purpose, Authority, and Responsibility.

NEW QUESTION: 358
Which aspect of an internal audit charter relates to the reporting structure for the internal audit activity?
A. Objectivity.
B. Responsibility.
C. Organization.
D. Authority.
Answer: C (LEAVE A REPLY)
The organization aspect of an internal audit charter relates to the reporting structure for the internal audit activity. It establishes the position of the internal audit activity within the organization, and defines its functional and administrative reporting lines. The organization aspect also ensures that the internal audit activity has sufficient independence and authority to perform its work effectively and objectively.

NEW QUESTION: 359
If an internal auditor suspects fraud during an engagement which of the following is expected of the auditor?

A. Evaluate the suspected activities to determine whether a forma! investigation is warranted,
B. Immediately inform senior management and the board of the suspected fraud.
C. Ascertain the level of resources needed to formally investigate the fraud, and proceed with the investigation if resources permit,
D. Include in the engagement documentation all possible effects and the potential impact of the fraud to the organization
Answer: (SHOW ANSWER)
If an internal auditor suspects fraud during an engagement, the expected action is to evaluate the suspected activities to determine whether a formal investigation is warranted. This step is crucial as it ensures that suspicions are substantiated before escalating the issue, thereby maintaining the integrity and objectivity of the internal audit process. This approach aligns with the IIA's guidance on handling fraud, including assessing and responding to risks of fraud during audit engagements.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 360
Which of the following organizations is adopting an acceptance technique in terms of its risk response?
A. An organization that takes no action in managing the possible exposure to an earthquake.
B. An organization that opts out of investing in a new region due to volatility in foreign exchange rates.
C. An organization that takes out insurance policies to protect its property and equipment.
D. An organization that deploys policies and procedures to guide business activities and practices
Answer: A (LEAVE A REPLY)
An organization that takes no action in managing the possible exposure to an earthquake is adopting an acceptance technique in terms of its risk response. This technique involves acknowledging the risk but choosing not to take any proactive steps to manage it, essentially accepting the potential consequences.
Risk management strategies as per IIA guidance.

NEW QUESTION: 361
An internal auditor is updating the risk register for risks identified during a recent organizational risk assessment. According to the Standards, which of the following would the auditor include in the risk register?
A. Management's acceptance of inadequate controls for cybersecurity risk.
B. Discussions with senior management relating to a new revenue stream.
C. Mitigating controls implemented by the engagement supervisor

D. Project manager planned hours versus time spent for all prior year projects
Answer: (SHOW ANSWER)
According to the Standards, the risk register should include information about identified risks and how these are being managed. Management's acceptance of inadequate controls for a significant risk such as cybersecurity should be documented as it represents a known risk exposure that the organization has chosen to accept. This helps ensure transparency and informs subsequent audit activities and decisions.
International Standards for the Professional Practice of Internal Auditing, specifically on risk assessment and management.

NEW QUESTION: 362
According to MA guidance, which of the following is true with regard to the internal audit charter?
1. It specifies the minimum resources needed for assurance engagements.
2. It requires final approval from senior management.
3. It defines the internal audit activity ' s authority and responsibilities.
4. It describes the expectations for communicating the results of a quality assurance and Improvement program.
A. 1 and 4 only.
B. 3 and 4 only.
C. 1.2. and 4.
D. 2. 3. and 4.
Answer: (SHOW ANSWER)
According to IIA guidance, the internal audit charter is a formal document that defines the internal audit activity ' s purpose, authority, and responsibility. It establishes the internal audit activity ' s position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter is done by the board, not just senior management. Furthermore, the charter might describe the expectations for communicating the results of the quality assurance and improvement

program, which ensures that the internal audit activity continues to operate effectively and efficiently.
IIA Standard 1000: Purpose, Authority, and Responsibility; and Standard 1300: Quality Assurance and Improvement Program.