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NEW QUESTION: 1
A former line supervisor from the Financial Services Department has completed six months of a two-year development opportunity with the internal audit activity (IAA). She is assigned to a team that will audit the organization's payroll function, which is managed by the Human Resources Department. Which of the following statements is most relevant regarding her independence and objectivity with respect to the payroll audit?
A. She may participate, because she did not previously work in the Human Resources Department.
B. She may participate, but only after she has completed one year with the IAA.
C. She may participate for training purposes, to build her knowledge of the IAA.
D. She may participate, but she must be supervised by the auditor in charge.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 2
Which of the following statements best explains why internal auditors map processes?
1. To obtain audit evidence to support auditor's observations.
2. To determine scope and objectives of the audit.
3. To facilitate the identification of ownership and responsibility for key risks.
4. To identify potential efficiency improvements.
A. 2 and 4.
B. 3 and 4.
C. 1 and 2.
D. 1 and 3.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 3

While auditing an organization's credit approval process, an internal auditor learns that the organization has made a large loan to another auditor's relative. Which course of action should the auditor take?
A. Have the chief audit executive and management determine whether the auditor should continue with the audit engagement.
B. Immediately withdraw from the audit engagement.
C. Proceed with the audit engagement, but do not include the relative's information.
D. Disclose in the engagement final communication that the relative is a customer.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 4
Which of the following is most likely to be considered a control weakness?
A. Department managers initiate purchase requests that must be approved by the plant superintendent.
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. Vendor invoice payment requests are accompanied by a purchase order and receiving report.
Answer: (SHOW ANSWER)

NEW QUESTION: 5
While attending a conference, an internal auditor won an all-expense paid trip sponsored by a vendor of the internal auditor's organization.
Which of the following actions are most appropriate for the auditor to take?
A. Consult with an immediate supervisor and review the organization's ethics policy.
B. Consult with an immediate supervisor and notify the organization's audit committee.
C. Give the prize to a friend or family member and notitfy the organization's audit committee.
D. Give the prize to a friend or family member and review the organization's ethics policy.
Answer: (SHOW ANSWER)

NEW QUESTION: 6
An internal auditor finds during an engagement that payment for the organization's general insurance policy is two months overdue. The issue is informally mentioned to the finance department which immediately submits the invoice for payment. The auditor decides to exclude this finding from the final audit report as the oversight was immediately corrected and there were no consequences because of this late payment.
Which of the following rules of conduct as described in the IIA Code of Ethics, did the auditor fail to uphold?
A. Objectivity.

B. Integrity.
C. Competency.
D. Confidentiality.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 7
According to COSO, which of the following is not considered one of the components of an organization's internal environment?
A. Authority and responsibility to resolve issues.
B. Integrated responses to multiple risks.
C. Framework to plan, execute and monitor activities.
D. Knowledge and skills needed to perform activities.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 8
Which of the following professional development approaches would offer internal auditors the most opportunities to broaden their engagement experiences?
A. Appraise internal auditors' performance and competencies at least annually and issue constructive feedback.
B. Rotate internal auditors among different engagement assignments.
C. Send internal auditors to external trainings in advanced internal audit topics.
D. Assign more experienced internal auditors to mentor the less experienced auditors.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 9
Forty-five percent of an organization's customer payments are submitted online. Eight percent of online payments are rejected. Executive management decides to outsource its online payment services to a contractor that will assume 75 percent of the total value of rejected payments. The organization estimates $1.25 million customer payments due during the contract period.
Which of the following represents the organization's residual risk for online customer payments due?
A. $33, 750
B. $11, 250
C. $25, 000
D. $45, 000
Answer: B (LEAVE A REPLY)

NEW QUESTION: 10

Management is developing and implementing a risk and control framework for use throughout the organization. Which of the following elements should be included in the organization's control framework?
1. Appropriate levels of authority and responsibility.
2. Supervision of staff and appropriate review of work.
3. The seniority of management in the organization.
4. The ability to trace each transaction to an accountable and responsible individual.
A. 1.3, and 4.
B. 1,2, and 3.
C. 2, 3, and 4.
D. 1.2, and 4.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 11
According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?
A. To facilitate the conduct of risk assessment.
B. To achieve and maintain sustainable development.
C. To enable Triple Bottom Line reporting capability.
D. To fulfill regulatory and compliance requirements.
Answer: (SHOW ANSWER)

NEW QUESTION: 12
An internal auditor wants to sample data to test an audit theory in a cost-effective way. Which of the following sampling strategies should she use?
A. Nonstatistical sampling only
B. Statistical sampling only
C. A combination of both statistical and nonstatistical sampling.
D. Neither approach to testing the audit theory would be cost effective.
Answer: (SHOW ANSWER)

NEW QUESTION: 13
What is the primary benefit to the internal audit activity for undertaking an internal quality assessment?
A. To help improve the overall quality of the internal audit activity's work.
B. To identify inefficiencies within the internal audit team.
C. To help the internal audit activity complete its annual assurance plan.
D. To identify key risks and areas of concern within the organization.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 14

Allegations have been made that an organization's share price has been manipulated. Which of the following would provide an internal auditor with the most objective evidence in this case?
A. Former members of management.
B. Former financial consultants.
C. Large customers of the organization.
D. Major shareholders of the organization.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 15
Sometimes, internal audit staff may partner with operating managers to rank risks. Which of the following outcomes may be the most beneficial aspects of this strategy?
1. Reappraising risks levels.
2. Providing accurate information to management.
3. Marketing the internal audit activity.
4. Planning safeguards for assets in high-risk areas.
A. 1 and 3.
B. 1 and 2.
C. 3 and 4.
D. 2 and 3.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 16
Which of the following is the most effective strategy to manage the risk of foreign exchange losses due to sales to foreign customers?
A. Insist that customers only pay in a stable currency.
B. Maintain a large foreign currency balance.
C. Implement a hedging strategy.
D. Hire a risk consultant.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 17

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

A. Documentation.

B. Analysis.

C. Reporting.

D. Leadership.

Answer: (SHOW ANSWER)

NEW QUESTION: 18

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

A. Exception reports.

B. Automated reconciliations.

C. Incentive compensation plans.

D. Segregation of duties.

Answer: (SHOW ANSWER)

NEW QUESTION: 19

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

A. Hiring an employee with a prior fraud conviction and yearly management review.

B. A veteran employee in upper management experiencing financial difficulties and recently implemented enhanced controls.

C. The practice of surprise audits and the implementation of an employee support program.

D. Occasional accounting department overrides and discontinuation of the anonymous fraud hotline due to infrequent use.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 20

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

A. The chief executive officer approves the internal audit charter.

B. The CAE administratively reports to the board.

C. The chief audit executive (CAE) approves the annual internal audit plan.

D. The audit committee approves the CAE's annual salary increase.

Answer: (SHOW ANSWER)

NEW QUESTION: 21

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

A. The sample to be selected haphazardly.

B. The sample to be representative of the population.

C. A smaller sample size than if selected using statistical sampling.

D. Projecting the results to the population.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 22
Which of the following does not need to be defined in the internal audit charter?
A. The internal audit activity's position within the organization.
B. The audit engagements to be performed during the upcoming year.
C. Management and the board of directors' agreement regarding the roles and responsibilities of the internal audit activity.
D. The scope of internal audit activities.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 23
Which of the following would provide the best guidance to a chief audit executive who is setting internal audit staff requirements?
A. A review of audit staff education and training records.
B. Information about the audit staff size and composition of comparable organizations.
C. The results of the audit staff's most recent performance reviews.
D. Results from discussions of audit needs with executive management and the audit committee.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 24
According to IIA guidance, which of the following statements is false regarding continuing professional education for the internal audit activity (IAA)?
A. Continuing professional education can be obtained through IAA involvement in research projects.
B. Specialized education that meets unique organizational needs cannot qualify as IAA professional development.
C. Employers are responsible for ensuring that the continuing professional education needs of the IAA are met.
D. Completion of self-study courses fulfills IAA continuing professional education requirements.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 25
Which of the following would be the most important consideration by the internal audit activity when selecting employees to perform an internal quality assessment?
A. Their reporting line within the organization.
B. The nature of their regular duties and responsibilities.
C. Their understanding of auditing standards.
D. Previous experience working with the internal audit activity.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 26
The director of purchasing, a certified internal auditor (CIA), signs a contract to procure a large order from a supplier whose products provide the best price, quality, and performance. A few days after signing the contract, the supplier presents the CIA with $1, 000 as a gift. Which statement regarding acceptance of the money is correct?
A. Because the contract was signed before the money was offered, accepting the money would not violate the IIA Code of Ethics.
B. Accepting the money would violate the IIA Code of Ethics.
C. Accepting the money would be prohibited only if it were non-customary.
D. Because the CIA is not acting as an internal auditor, accepting the money would be governed only by the organization's code of conduct.
Answer: (SHOW ANSWER)

NEW QUESTION: 27
According to IIA guidance, which of the following is least compliant with the requirements regarding an internal auditor's need for objectivity?
A. An internal auditor, previously employed in the quality assurance operations area, performed a consulting engagement for the operations manager.
B. An internal auditor assessed the effectiveness of controls over payroll software, which he had helped implement with a previous employer.
C. An internal auditor performed an assurance engagement for the effectiveness of accounts payable access controls, one of which he previously helped to design.
D. An internal auditor participated in an audit of controls around absenteeism, despite providing some consultation on controls in this area earlier in the year.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 28
During an internal audit, an organization's processing department is found to have incidences of both duplicate invoices and notices from customers that purchased goods were not received. The department under review insists that some of these reports are false and that others were isolated oversights due to understaffing.
Which of the following tests would best help the internal auditor detect fraudulent activity?
A. Review raw material purchase quantities.
B. Search for gaps in check numbers.
C. Compare vendor summaries.
D. Check inventory levels.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 29

Which of the following is the best way to detect fraud?
A. Implement process controls.
B. Perform background investigations.
C. Conduct anti-fraud training.
D. Activate a whistleblower hotline.
Answer: D ([LEAVE A REPLY]())

NEW QUESTION: 30
An organization is facing a financial downturn and needs to impose major budget reductions to all departments. According to MA guidance, which of the following actions is most appropriate for the board to take to evaluate the potential impact on the internal audit activity?
A. Ask management to determine which internal audit engagements are lower risk and could be considered for removal from the annual audit plan.
B. Ask appropriate stakeholders for their opinion on the potential impacts of reducing the scope of the internal audit plan.
C. Ask the chief audit executive to determine whether budgetary limitations impede the ability of the internal audit activity to execute its responsibilities.
D. Ask The human resources department to determine how the annual compensation and salary of the audit staff could be adjusted to achieve savings.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 31
Which of the following is an example of a risk management avoidance response?
A. Obtaining product insurance.
B. Recalling a product.
C. Outsourcing production.
D. Exiting a marketplace.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 32

What type of risk management strategy is being employed when an organization installs two firewalls to provide protection from unauthorized access to the network?
A. Sharing the risk that either firewall could be compromised by hackers.
B. Accepting the risk that there may be attempts at unauthorized access to the network.
C. Diversifying the risk that network access will not be available to legitimate, authorized users.
D. Avoiding the risk of having a direct network connection to un-trusted networks.
Answer: (SHOW ANSWER)

NEW QUESTION: 33
A new director was hired to lead the internal audit activity at a small start-up company. Which of the following assignments would impair the director's independence?
A. Reviewing the company's policy for foreign currency translation adjustments for compliance with accounting standards.
B. Providing the COBIT framework as a possible IT management tool.
C. Preparing the financial statements for the company's defined contribution plan.
D. Performing a pre-implementation review of the company's payroll application.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 34
Which of the following is not a role of the internal audit activity in facilitating risk identification and evaluation?
A. Supporting managers to identify ways to mitigate risks.
B. Recommending accountability for risk management.
C. Providing assurance that risks are evaluated correctly.
D. Evaluating risk management processes.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 35
According to IIA guidance, which of the following statements regarding the internal audit charter is true?
A. The CEO periodically should assess whether the terms of the charter continue to be adequate.
B. The charter should describe the purpose and authority of the internal audit activity, consistent with the Standards.
C. Senior management should approve the charter before it is submitted to the board.
D. The charter should define the consulting services that the internal audit activity is permitted to perform.
Answer: (SHOW ANSWER)

NEW QUESTION: 36

Which of the following actions should the audit committee take to promote organizational independence for the internal audit activity?
A. Assist the CAE with hiring objective and competent internal audit staff.
B. Encourage the CAE to communicate and coordinate with the external auditor.
C. Delegate final approval of the risk-based internal audit plan to the chief audit executive (CAE).
D. Approve the annual budget and resource plan for the internal audit activity.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 37
In which of the following scenarios would a customer service hotline receive a high volume of complaints regarding payments not being applied to customers' accounts?
A. Invoices are not being mailed to customers.
B. Employees are submitting fraudulent expense reports.
C. The customer service department is not forwarding complaints to the accounts receivable department.
D. An employee is tampering with customer checks.
Answer: (SHOW ANSWER)

NEW QUESTION: 38
Which of the following best describes the misdirection of payments on accounts receivable to an employee's bank account?
A. Fraud open on the books.
B. Fraud on the balance sheet.
C. Fraud off the books.
D. Fraud hidden on the books.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 39
An internal auditor makes a series of observations when performing an analytical review of division operations. The auditor notes the following things: the current ratio is increasing and the quick ratio is decreasing, sales and current liabilities have remained constant, and the number of day sales in inventory is increasing. Which conclusion should the auditor draw from this data?
A. The gross margin has decreased.
B. The gross margin has increased.
C. Cash or accounts receivable has decreased.
D. The division produced fewer items this year than in prior years.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 40

Which of the following best describes the details that must be included in the quality assurance and improvement program (QAIP) report to senior management and the board?
A. The scope, findings, risks, recommendations, and agreed-upon improvement actions.
B. The scope and cost of the QAIP. frequency of internal and external assessments, and conclusions of the assessor.
C. The scope and frequency of internal and external assessments as well as the qualifications and independence of the assessor.
D. The number and types of people involved in the assessment, costs, and duration of the QAIP
Answer: A (LEAVE A REPLY)

NEW QUESTION: 41
Which of the following is most likely to enhance an internal auditor's objectivity?
A. An auditor is appropriately able to communicate results.
B. An auditor avoids conflicts of interest.
C. An auditor is unrestricted in determination of scope.
D. An auditor performs his work free from interference.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 42
Which of the following is a valid statement about the use of visual observations during an audit engagement?
1. Visual observations can be used to detect ineffective controls, idle resources, and safety hazards.
2. Visual observations can be used during both preliminary survey and fieldwork stages of the audit engagement.
3. Visual observations can provide unsubstantiated facts to management if the internal auditor believes the information is useful.
4. Visual observations can assist an auditor in determining if a material observation should be communicated through informal means to the organization's senior management.
A. 1 and 2 only
B. 3 and 4 only
C. 2 and 3 only
D. 1 and 4 only
Answer: A (LEAVE A REPLY)

NEW QUESTION: 43
Which of the following describes a key characteristic related to effective organizational communication?
A. Comprehensive supervisory and verification procedures.
B. Unique operating environments with varying complexity.

C. A well-designed system of internal controls.
D. A culture of integrity and transparency.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 44
The chief audit executive (CAE) has assigned an internal auditor to an upcoming engagement. Which of the following requirements would most likely indicate that the internal auditor was assigned to an assurance engagement?
A. The CAE must personally obtain the needed skills, knowledge, or other competencies if the internal auditor does not have them.
B. The assigned internal auditor must determine the objectives, scope, and techniques of the engagement.
C. The assigned internal auditor must maintain objectivity while performing the engagement.
D. The assigned internal auditor must not assume management responsibilities while performing the engagement.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 45
Which of the following is a requirement for an assurance engagement that may not be for a consulting engagement?
A. The internal audit activity has to ensure team members' objectivity is not impaired.
B. Auditors cannot participate in an assurance engagement of a function for which they previously performed a consulting engagement.
C. The internal audit activity must ensure management actions have been implemented effectively or risk accepted.
D. The scope and objective of the engagement is agreed upon based on the engagement client's needs.
Answer: (SHOW ANSWER)

NEW QUESTION: 46
Which of the following is an activity that an internal auditor must not perform?
A. Provide assurance for the effectiveness of anti-money laundering training.
B. Survey employees for their understanding of anti-money laundering practices.
C. Establish and provide continuing assurance on an anti-money laundering program for new hires.
D. Assess the risk of being fined for ineffective anti-money laundering practices.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 47
Why is it important for the chief audit executive to periodically review the audit charter and present the results to senior management and the board?
A. So that the individual objectivity of the internal audit staff can be more clearly established.
B. Because management requires the review to measure effectiveness of the internal audit activity.
C. So that there is assurance of the internal audit staff's proficiency to complete audit activities.
D. Because changes in the organization may impair the internal audit activity's ability to meet its objectives.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 48
An IT contractor applied for an internal audit position at a bank. The contractor worked for the bank's IT security manager two years ago. If the audit manager interviewed the contractor and wants to extend a job offer, which of the following actions should the chief audit executive pursue?
A. Allow the audit manager to hire the contractor, but state that the individual is not allowed to work on IT security audits for one year.
B. Not allow the audit manager to hire the contractor, as it would be a conflict of interest.
C. Allow the audit manager to hire the contractor and state that the individual is free to perform IT audits, including security.
D. Not allow the audit manager to hire the contractor and ask the individual to apply again in one year.
Answer: (SHOW ANSWER)

NEW QUESTION: 49
According to the IIA guidance, who is responsible for periodically assessing the internal audit activity?
A. The external auditors.
B. The chief audit executive.
C. The board.

D. Senior management.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 50
When an internal auditor applies due professional care to perform an assurance engagement, which of the following must she consider?
1. Findings of the last audit engagement performed.
2. Probability of significant errors, irregularities, or noncompliance.
3. Extent of work needed to achieve engagement objectives.
4. Cost of the engagement versus the potential benefits.
A. 2, 3, and 4 only
B. 2 and 3 only
C. 1, 2, 3, and 4
D. 1 and 4 only
Answer: A (LEAVE A REPLY)

NEW QUESTION: 51
According to IIA guidance, which of the following external groups is most likely to represent a liability risk, based on activities associated with the organization's corporate social responsibility program?
A. Activists.
B. Investors.
C. Consumers.
D. Suppliers.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 52
During the course of an audit, an internal auditor discovers that a valuable employee in the research department has been patenting new developments in the employee's name that are unrelated to the basic business of the organization.
The organization does not have a policy addressing this specific issue, but does have a general policy that all important new discoveries by employees are the property of the organization.
Division management views the employee's actions as extra incentive to retain the employee.
A decision to include the employee's action in the engagement final communication would be:
1. A violation of the IIA Code of Ethics.
2. A violation of the reporting requirements in the Standards.
3. Justified and necessary, according to the IIA Code of Ethics and Standards.
A. 2 only

B. 3 only
C. 1 and 2 only
D. 1 only
Answer: B (LEAVE A REPLY)

NEW QUESTION: 53
Which of the following audit techniques is used to evaluate control design while also embodying auditing's analytical process?
A. A risk and control matrix.
B. A walk-through.
C. A flowchart.
D. A process narrative.
Answer: (SHOW ANSWER)

NEW QUESTION: 54
A government agency's policy states that board members' travel and hospitality expenses must be audited annually. Which of following people or groups is most appropriate to perform this audit?
A. The government's independent auditor.
B. The internal audit activity.
C. The external auditors from an accounting firm.
D. The agency's chief compliance officer.
Answer: (SHOW ANSWER)

NEW QUESTION: 55
Which of the following must be in existence as a precondition to developing an effective system of internal controls?
A. A strategic objective-setting process.
B. An information and communication process.
C. A risk assessment process.
D. A monitoring process.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 56
Given the highly technical and legal nature of privacy issues, which of the following statements best describes the internal audit activity's responsibility with regard to assessing an organization's privacy framework?
A. Because the audit committee is ultimately responsible for ensuring that appropriate control processes are in place to mitigate risks associated with personal information, the internal audit activity is C. required to conduct privacy assessments.

B. The internal audit activity should have appropriate knowledge and competence to conduct an asses ....framework.
C. If an organization does not have a mature privacy framework, the internal audit activity should assist in developing and implementing an appropriate privacy framework.
D. The internal audit activity may delegate to nonaudit IT specialists the responsibility of determining whether personal information has been secured adequately and data protection controls are sufficient.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 57
An internal audit charter describes the mission and scope of the internal audit activity (IAA), responsibilities of the IAA, accountability of the chief audit executive, independence of the IAA, and standards followed by the IAA. Which of the following also should be included in the charter?
A. The purpose of the IAA.
B. The IAA's right to have unrestricted access to functions, records, personnel, and physical property.
C. A detailed audit plan or program for the year.
D. The job specifications and descriptions of the internal audit staff.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 58
Which of the following is an example of collusion?
A. An employee works with the IT manager to develop a program for identifying duplicate invoice payments.
B. A vendor inflates the price of an item and remits a portion of the excess to the purchasing manager.
C. An employee includes a faked receipt in his expense claim, and the claim is signed by the employee's manager.
D. A vendor sends a duplicate invoice with a new invoice number, and the accounts payable system fails to detect the duplication.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 59
Which of the following statements accurately describes an internal auditor's responsibility with regard to due professional care?
A. An internal auditor should express an opinion only when consensus with top management has been achieved.
B. An internal auditor's opinion should be limited to the effectiveness of internal controls.
C. An internal auditor's opinion should be based on factual evidence.
D. An internal auditor's opinion should be based on experience and free of all bias.

Answer: C ([LEAVE A REPLY]())

NEW QUESTION: 60
Management has asked the chief audit executive (CAE) to provide assurance on the organization's automated control system related to financial data. The current audit staff does not have the expertise needed to conduct this type of engagement. Which of the following would be the best response by the CAE?
A. Accept the assignment and use control self-assessment to complete the project.
B. Accept the assignment if the engagement is included in the current audit plan, but inform senior management that the current audit staff does not have the knowledge and skills required.
C. Accept the assignment and use an external provider with the necessary knowledge and skills to perform the engagement.
D. Do not accept the assignment because the internal audit activity lacks the competency to perform the engagement with due professional care.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 61
A multinational organization has asked the internal audit activity to assist in setting up the organization's risk management system. The chief audit executive (CAE) agrees to take on the engagement as a consultant.
Which of the following tasks is appropriate for the CAE to undertake?
A. Set risk indicators and mitigation plans for management to implement.
B. Establish the degree of risk appetite for management to accept.
C. Coordinate and facilitate risk workshops for management to attend.
D. Determine the number of significant risks for management to report to the board.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 62
An internal auditor is evaluating techniques management uses to mitigate risks within a particular product division. Which of the following is an example of risk reduction?
A. Management modifies the product division to minimize errors.

B. Management sells the product division to a competitor.
C. Management allows the product division to remain unchanged.
D. Management outsources the product division to a third party.
Answer: (SHOW ANSWER)

NEW QUESTION: 63
Which of the following statements describes a control failure that is not directly attributable to a customer billing application?
1. End users have raised a number of concerns regarding data integrity.
2. An untested program change is transferred from the test environment to production.
3. Purchase history does not reconcile with accounts receivable for some customers.
4. End user security is inadvertently granted to an unauthorized individual by management.
A. 2 and 3.
B. 2 and 4.
C. 1 and 3.
D. 1 and 4.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 64
Which of the following control activities is the most effective to ensure users' levels of access are appropriate for their current roles?
A. System administrator rights are assigned to one user in each department who can update user access of terminated or transferred employees immediately.
B. The human resources department generates a monthly list of terminated and transferred employees and requests IT to update the user access as required.
C. Standardized user access profiles are developed and the appropriate access profiles are automatically assigned to new or transferred employees.
D. Department managers are required to perform periodic user access reviews of relevant systems and applications.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 65
An internal audit activity (IAA) provided assurance services for an activity it was responsible for during the preceding year.
As a result, which IIA Code of Ethics principle is presumed to be impaired?
A. Flexibility.
B. Objectivity.
C. Competence.
D. Independence.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 66

An internal auditor is reviewing employee travel data to identify opportunities to cut costs while ensuring adequate participation at conferences to support the organization's mission. Which of the following pieces of evidence would be sufficient for completing this task?

A. A log that includes titles of conferences that all employees were invited to attend in the last year, along with the dates of those conferences and average costs per traveler.

B. A log of conferences titles, dates of travel for each employee, and a detailed summary of conference objectives and how they relate to the organization's mission needs.

C. A log of employee travel requests, which include the title of each conference, the conference objectives, anticipated dates of travel, and estimated costs.

D. A log from the last year that includes dates of travel, conference titles, and conference objectives, all of which correspond with employee names and costs per trip.

Answer: (SHOW ANSWER)

NEW QUESTION: 67

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

A. The residual risk is higher than or equal to the risk appetite.

B. The residual risk is lower than or equal to the risk appetite.

C. The inherent risk is lower than or equal to the risk tolerance.

D. The inherent risk is higher than or equal to the risk tolerance.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 68

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

A. Apply problem-solving techniques for routine situations.

B. Maintain industry-specific knowledge appropriate to the audit engagements

C. Set clear performance standards for internal auditors and the internal audit activity.

D. Manage and support a quality assurance and improvement program.

Answer: (SHOW ANSWER)

NEW QUESTION: 69

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

A. Internal auditors should report all fraud cases to law enforcement agents, in accordance with the Code of Ethics.

B. Internal auditors should take a leading role in investigating all fraud-related cases.

C. Internal auditors are responsible for ensuring that fraud does not occur.

D. Internal auditors must have sufficient knowledge to evaluate the risk of fraud.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 70

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

A. Shareholders and investors.

B. Marketplace competition.

C. Employees' families.

D. Working conditions.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 71

While performing an accounts payable engagement, a senior auditor wants to conduct several tests of controls for travel expenses. Which of the following actions are most appropriate for the senior auditor to undertake?

1. Ensure all tests use a random sampling technique.
2. Consider a judgmental approach for the sample size.
3. Assess testing errors through root cause analysis.
4. Ensure that the entire data set is tested.

A. 1 and 2.

B. 1 and 3.

C. 2 and 4.

D. 2 and 3.

Answer: (SHOW ANSWER)

NEW QUESTION: 72

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

A. The results of self-assessments with independent external validation are shared with the board upon completion, and monitoring of recommended improvements must be reported monthly.

B. The requirements for reporting quality assessment results are the same for external assessments and self-assessments with independent external validation.

C. The external assessment results are reported upon completion in confidence directly to the board, and senior management is advised only of the recommendations and improvement action plans.

D. The external assessment results are communicated upon completion to senior management and the board, but action plans for recommended improvements do not have to be reported.

Answer: (SHOW ANSWER)

NEW QUESTION: 73

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

A. Validation.

B. Efficiency.

C. Compliance.

D. Accuracy.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 74

According to IIA guidance, which of the following is the best example of a system application control?

A. A physical security control over a data center.

B. A program change management control.

C. A system development life cycle control.

D. An input control over data integrity.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 75

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

A. The board seeks senior management's recommendation before approving the annual salary adjustment of the CAE.

B. The CAE updates the internal audit charter and presents it to the board for approval periodically, not on a specific timeline.

C. The chief audit executive (CAE) reports functionally to the board and administratively to the chief financial officer.

D. The CAE confirms to the board, at least once every five years, the organizational independence of the internal audit activity.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 76

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

A. Maintaining custody of inventory records.

B. Collecting payments on accounts.

C. Approving changes to employee records.

D. Preparing customer statements.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 77
An internal auditor who is carrying out an engagement to review controls related to corporate tax reporting must possess which of the following competencies?
1. Proficiency in analyzing key IT risks and controls.
2. The ability to recognize significant deviations from good business practices.
3. Knowledge of key indicators of fraud in tax reporting.
4. The ability to recognize the existence of problems related to tax accounting.
A. 3 and 4 only.
B. 1,2, 3, and 4.
C. 2, 3, and 4 only.
D. 1 and 4 only.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 78
According to IIA guidance, which of the following is an area in which the internal auditor should be proficient?
A. Fundamentals of accounting, economics, and finance.
B. Management principles.
C. Computerized information systems.
D. Internal audit standards, procedures, and techniques.
Answer: (SHOW ANSWER)

NEW QUESTION: 79
Which of the following types of social responsibilities is voluntary and guided purely by the organization's desire to make social contributions?
A. Ethical responsibility.
B. Discretionary responsibility.
C. The bottom of the pyramid responsibility.
D. Innovative responsibility.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 80

Which of the following items should the chief audit executive disclose to senior management regarding the results of the internal audit activity's quality assessments?
A. The number of audits from the annual internal audit plan that were completed last year.
B. The internal audit activity's plan for resource allocation.
C. The amount of the organization's potential loss prevented by the risk-based auditing of the internal audit activity.
D. The qualifications and independence of the assessment Team.
Answer: (SHOW ANSWER)

NEW QUESTION: 81
Which of the following decisions made during the testing phase of a compliance audit requires the most judgment by an internal auditor?
A. Which fields to examine on each invoice.
B. Which sampling methodology to select for testing.
C. What level of noncompliance is acceptable.
D. Whether an individual expenditure is allowable.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 82
An accounts receivable clerk receives cash payments, posts the payments to customer accounts, and prepares the daily cash deposit.
The clerk has been stealing some cash and manipulating the customer payments to hide the theft.
This fraud could be detected with which of the following controls?
A. Names, amounts, and dates on remittance advices are reconciled with the names, amounts, and dates recorded in the cash receipts journal.
B. Monthly bank reconciliations are performed by the clerk on a timely basis.
C. Total cash deposits for the month are reconciled to the cash receipts journal.
D. Total cash deposits are compared with the bank reconciliation.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 83
According to IIA guidance, which of the following must internal auditors consider to conform with the requirements for due professional care during a consulting engagement?
1. The cost of the engagement, as it pertains to audit time and expenses in relation to the potential benefits.
2. The needs and expectation of clients, including the nature, timing, and communication of engagement results.
3. The application of technology-based audit and other data analysis techniques, where appropriate.

4. The relative complexity and extent of work needed to achieve the engagement's objectives.
A. 2, 3, and 4
B. 1, 3, and 4
C. 1, 2, and 3
D. 1, 2, and 4
Answer: D (LEAVE A REPLY)

NEW QUESTION: 84
Which of the following statements is true with regard to conducting an effective quality assurance and improvement program?
A. Members of the internal audit activity are not permitted to perform quality assessments, as they would not be independent.
B. Periodic internal assessments provide the most current and independent recommendations for improvement.
C. The IIA's Quality Assessment Manual for the Internal Audit Activity must be used as the basis for periodic assessments.
D. The conclusions of periodic internal assessments are intended to assist in achieving conformity to the Standards.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 85
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 organization is slowly phasing out three mature products that produce the highest commissions for the sales staff.
C. The controller at a nationwide manufacturing company recently opted to no longer require two-week mandatory vacations for accounting staff.
D. Security cameras that monitor cash handling at the register are not functioning.
Answer: (SHOW ANSWER)

NEW QUESTION: 86
Which of the following statements accurately describes the responsibility of the internal audit activity regarding IT governance?
1. The internal audit activity does not have any responsibility because IT governance is the responsibility of the board and senior management of the organization.
2. The internal audit activity must assess whether the IT governance of the organization supports the organization's strategies and objectives.

3. The internal audit activity may assess whether the IT governance of the organization supports the organization's strategies and objectives.
4. The internal audit activity may accept requests from management to perform advisory services regarding how the IT governance of the organization supports the organization's strategies and objectives.
A. 2 and 4.
B. 3 and 4.
C. 4 only.
D. 1 only.
Answer: (SHOW ANSWER)

NEW QUESTION: 87
Faced with a complex, highly technical construction audit engagement, the chief audit executive (CAE) considered complementing the current internal audit resources by engaging the services of a civil engineer.
Which of the following should the CAE consider in determining whether the engineer possesses the necessary skills to perform the engagement?
1. Professional certification, license, or other recognition of the engineer's competence in the relevant discipline.
2. Experience of the engineer in the type of work being considered.
3. Compensation or other incentives that the engineer may receive.
4. The extent of other ongoing services that the engineer may be performing for the organization.
A. 3 and 4 only
B. 2 and 3 only
C. 1, 2, and 4 only
D. 1 and 4 only
Answer: C (LEAVE A REPLY)

NEW QUESTION: 88
Which of the following is an example of a transaction-level control?
A. Human resource policies.
B. Inventory counts.
C. Tone at the top.
D. Reconciliations of primary accounts.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 89
A furniture manufacturer has installed a new fire sprinkler system at its central warehouse and canceled the existing fire insurance policy on that property. What change of risk response strategy does this course of action most likely reflect?

A. From acceptance to avoidance.
B. From sharing to reduction.
C. From acceptance to reduction.
D. From sharing to avoidance.
Answer: (SHOW ANSWER)

NEW QUESTION: 90
The manager for an organization's accounts payable department resigned her post in that capacity. Three months later, she was recruited to the internal audit activity and has been working with the audit team for the last eight months. Which of the following assignments would the newly hired internal auditor be able to execute without any impairments to independence or objectivity?
A. A review of the employees' sports club finances, which are overseen by the chief audit executive.
B. An assurance review for a sales program on which she previously provided consultation.
C. A consulting engagement related to a new accounts payable optimization initiative.
D. An operations audit of the accounts payable department.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 91
An internal auditor is reviewing the accounts receivable when she discovers account balances more than three years old. The auditor was previously supervising the area during this time, and she subsequently advises the chief audit executive (CAE) of a potential conflict.
Which of the following is the most appropriate course of action for the CAE to take?
A. Work with the division's management to resolve the situation.
B. Withdraw the audit team and outsource the financial audit of the division.
C. Replace the auditor with another audit staff member.
D. Continue with the present auditor, as more than one year has passed.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 92

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

A. Ethics and fraud.

B. Negotiation and conflict resolution.

C. Financial accounting.

D. Project management.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 93

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

A. Maintaining membership in The HA and similar professional organizations and subscribing to relevant email updates or news feeds.

B. Attending annual professional conferences and seminars.

C. Pursuing as many professional certifications as possible.

D. Participating in on-the-job training in various departments of the organization.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 94

Why are preventative controls generally preferred to detective controls?

A. Because preventive controls include output procedures, which cover the full range of possible reviews, reconciliations and analysis.

B. Because preventive controls are more sensitive and identify more exceptions than detective controls.

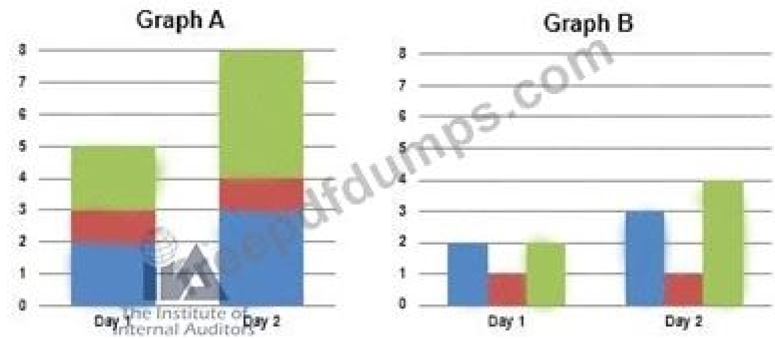
C. Because preventive controls promote doing the right thing in the first place, and lessen the need for corrective action.

D. Because preventive controls identify exceptions after-the-fact, allowing them to be used after the entire review is complete and therefore finding exceptions that detective controls may have missed.

Answer: (SHOW ANSWER)

NEW QUESTION: 95

Click the Exhibit.



Internal auditors are asked to keep track of how many hours per day they spend planning the audit, conducting the engagement, and writing the audit report. The data for two days has been collected as follows:
Day 1
Day 2
Planning the audit
2 hours
3 hours
Conducting the engagement
1 hour
1 hour
Writing the audit report
2 hours
4 hours
Which of the following graphs depicts the data accurately?
A. Graph B only
B. Graph A only
C. Both A and B.
D. Neither A nor B.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 96
An internal auditor needs to recommend a policy element to be included in an organization's code of ethics.
Which of the following recommendations would be most effective?
A. Ethics should vary with local customs in the organization's foreign operations.
B. Whistleblowing should be discouraged because it can cause distrust among employees.
C. Senior management should be granted specific exemptions to the code of ethics.
D. Ethical behavior should be incorporated into performance evaluations.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 97
A large trucking organization wants to reduce traffic accidents by improving its system of internal controls.

Which of the following controls is correctly classified?
1. Review of speeding violations to identify repetitive locations and drivers is an example of a preventive control.
2. Defensive driver training is an example of a directive control.
3. The installation of tracking devices in delivery vehicles is an example of a corrective control.
4. Providing a vehicle driver handbook is an example of a detective control.
A. 1 and 2.
B. 1 and 4.
C. 2 and 3.
D. 3 and 4.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 98
According to The MA Code of Ethics, which of the following is one of the rules of conduct for objectivity?
A. Internal auditors shall be prudent in the use and protection of information acquired in the course of their duties.
B. Internal auditors shall continually improve their proficiency and effectiveness and quality of their services.
C. Internal auditors shall not accept anything that may impair or be presumed to impair their professional judgment.
D. Internal auditors shall respect and contribute to legitimate and ethical objectives of the organization.
Answer: (SHOW ANSWER)

NEW QUESTION: 99
A chief audit executive (CAE) reports functionally to the CEO and administratively to the chief financial officer, both of whom serve on the company's board of directors. According to IIA guidance, which of the following would offer the greatest protection for the independence of the internal audit activity?
A. Move the CAE's functional reporting to an executive who is not on the board.
B. Obtain full board approval of the internal audit activity's annual audit plan.
C. Appoint the CAE as a member of the board.
D. Move the CAE's functional reporting to the audit committee.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 100
Which of the following are components of the COSO enterprise risk management framework?
1. Objective setting.

2. External environment.
3. Data collection.
4. Control activities.
A. 2 and 3 only
B. 2 and 4 only
C. 1 and 3 only
D. 1 and 4 only
Answer: D (LEAVE A REPLY)

NEW QUESTION: 101
Which of the following actions does not violate the IIA Code of Ethics or Standards?
A. An internal auditor disclosing details of an audit report to colleagues from a different organization.
B. An internal auditor performing an audit on an operation that they managed less than a year ago.
C. An internal auditor disclosing confidential information in response to a lawsuit.
D. An internal auditor performing an audit on procedures that they were responsible for creating.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 102
Which type of objectives can best be described as broad goals that promote the effective and efficient use of resources?
A. Reporting objectives.
B. Compliance objectives.
C. Strategic objectives.
D. Operational objectives.
Answer: (SHOW ANSWER)

NEW QUESTION: 103
During an audit, the client questions the internal audit activity's authority to perform procedures over fraud allegations. According to HA guidance, which of the following would provide the most relevant support to respond to the client's concerns?
A. MA Standards.
B. Definition of Internal Auditing.
C. The IIA's Code of Ethics.
D. Internal audit charter.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 104

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

A. Quality assessments and cultural biases of the internal audit activity.

B. Employee incentives and self review of the internal audit activity.

C. Rotational assignments and familiarity of the internal audit activity.

D. Organizational positioning and scope control of the internal audit activity.

Answer: D (LEAVE A REPLY)