"Please note that these files may not be up to date. However, the questions will help you understand the exam format and typical question patterns."

Question: 1

Which of the following analytical procedures should an internal auditor use to determine whether monthly expenses for the accounting department are reasonable?

A. Review year-over-year trending of total dollars spent in each period.
B. Review changes to the vendor master file for suspicious activity.
C. Review the percentage of on-time payments against prior periods.
D. Review total expenses for accounting against other department expenses in the organization.

Answer: A

Question: 2

During an internal audit engagement, which of the following is true regarding the decision to use statistical sampling or nonstatistical sampling?

A. The decision affects the test procedures performed.
B. The auditor's response to errors detected will be influenced.
C. The competence of the evidence obtained is greater with statistical sampling.
D. Nonstatistical sampling may be more cost effective.

Answer: A

Question: 3

When auditing an organization's purchasing function, which of the following appropriately matches an engagement objective and the resulting audit procedure?

A. Determine whether the purchasing department complies with policy by examining a random selection of purchase orders.
B. Evaluate whether purchasing requests are properly approved by authorized staff by obtaining independent verification from the vendors.
C. Ascertain whether material receipts are recorded on a timely basis by reviewing physical inventory stock counts.
D. Determine whether prices charged for goods received are correct by reviewing the appropriate accounts payable record by vendor.

Answer: A

Question: 4

A team of internal auditors is assigned to audit the employee relations process in an organization, which includes employee conduct and disciplinary hearings. Which of the following audit approaches would provide the auditors with the best evidence to determine the degree to which disciplinary decisions are complying with documented policy?

A. Review a random sample of concluded disciplinary reports to assess how the policy was applied in each case.
B. Interview a sample of impacted employees for their opinions on the clarity and fairness of the policy.
C. Observe several disciplinary hearings to determine whether they are in compliance with the policy.
D. Conduct an interview to assess the disciplinary hearing chairman's understanding of the policy and its appropriate use.

Answer: A

Question: 5

Which of the following represents the best method for confirming that vendor invoices were for authorized purchases?

A. Vouching vendor invoices to payments made.
B. Sorting invoices by purchase orders and comparing for successive duplicate invoices.
C. Comparing a random sample of vendor invoices to purchase orders.
D. Sorting payments by invoice to detect successive duplicate invoices.

Answer: C

Question: 6

An internal auditor is using attributes sampling to test internal controls. Under which of the following

circumstances would the auditor increase the original sample size to estimate error occurrence at a given precision and confidence level?

A. The sample rate of occurrence plus the precision exceeds the acceptable error rate.
B. The sample rate of occurrence is less than the acceptable error rate.
C. The acceptable rate of occurrence less the precision exceeds the sample rate of occurrence.
D. The sample rate of occurrence plus the precision equals the acceptable error rate.

Answer: A

Question: 7

Which of the following is the most appropriate objective for establishing a professional development plan for the internal audit activity?

A. A plan that focuses on furthering the independence of the internal audit activity.
B. A plan that ensures internal auditors collectively possess expertise in various fields to avoid outsourcing.
C. A plan based on individual preferences and proposals, which helps internal auditors achieve greater success.
D. A plan that focuses on filling gaps in the current skills needed to complete audit objectives.

Answer: D

Question: 8

Which of the following is an example of internal benchmarking?

A. Book value per common share ratio is lower than that of the prior year.
B. Staff turnover ratio is higher than the comparable organization in the same industry.
C. Utilities expense of the sales unit is higher than that of the customer service unit.
D. Sales are significantly higher than the industry's average for five years.

Answer: C

Question: 9

While conducting an information security audit, an internal auditor learns that the existing disaster recovery plan is four years old and untested. The auditor also learns that in the four years since the recovery plan was implemented, the information systems have undergone extensive changes. Which

of the following actions is most appropriate for the auditor to take?

A. Inform management and request that the plan be tested immediately.
B. Update the recovery plan for management, as part of the review.
C. Evaluate the recovery plan and report weaknesses to management.
D. Recommend that management and users update and test the recovery plan.

Answer: D

Question: 10

Which of the following is the primary reason an internal auditor would issue an interim report during an engagement?

A. To provide a status update on a short engagement to management of the area under review and to the audit supervisor.

B. To confirm agreement with preliminary observations and conclusions identified during the engagement.

C. To provide those responsible for the area under review with the opportunity to act on certain observations immediately.

D. To verify that the corrective actions required by senior management are completed as agreed.

Answer: C

Question: 11

Senior IT management requests the internal audit activity to perform an audit of a complex IT are a. The chief audit executive (CAE) knows that the internal audit activity lacks the expertise to perform the engagement. Which of the following is the most appropriate action for the CAE to take? A. Decline the audit engagement, because the Standards prohibit internal auditors from performing engagements where they lack the necessary competencies.

B. Accept the audit engagement and use the engagement as an opportunity to develop the audit team's IT expertise while performing the audit work.

C. Temporarily hire an experienced and knowledgeable IT analyst from the organization's IT department to lead the audit.

D. Outsource the audit engagement to a reputable IT audit consulting firm.

Answer: D

Question: 12

Which of the following factors should be considered when determining the staff requirements for an audit engagement?

The internal audit activity's time constraints.

The nature and complexity of the area to be audited.

The period of time since the area was last audited.

The auditors' preference to audit the area.

The results of a preliminary risk assessment of the activity under review.

A. 1 and 4 only.

B. 1, 2, and 5 only.

C. 2, 3, and 5 only.

D. 1, 2, 3, 4, and 5.

Answer: B

Question: 13

Which of the following statements is true regarding internal control questionnaires (ICQs)?

A. ICQs are most useful in more organic, decentralized organizations with specialized departmental or regional characteristics.

B. An ICQ can be used effectively either by sending it in advance for management of the area under review to complete or by testing each procedure and recording the results.

C. An ICQ is not an efficient tool, as it can only inquire about controls and it does not test them.

D. ICQs are also known as checklist audits and encourage management of the area under review to answer "no" or "yes" more accurately.

Answer: B

Question: 14

According to IIA guidance, which of the following is most likely to become part of the engagement work program?

A. Information obtained from historic audits and memos.

B. Risk and control registers or matrices.

C. Resource deployment plans and sampling methodologies.

D. Prior findings and management responses.

Answer: C

Question: 15

An internal auditor is performing a review of an organization's vendor for any possible conflicts of interest. Which of the following would provide the greatest assistance to the auditor in meeting this objective?

A. Vendor contracts.

B. Employee master list.

C. Payment records.

D. Purchasing policy.

Answer: B

Question: 16

An internal auditor discovered a control weakness that needs to be communicated to management. Which of the following is the best method for first communicating the weakness?

A. Draft report, to be reviewed by management just prior to final report issuance.
B. Preliminary observation document, discussed during the engagement.
C. Final report, after review by audit management.
D. Verbal communication during the engagement, followed by the final report issuance.

Answer: D

Question: 17

Which of the following would be most useful for an internal auditor to obtain during the preliminary survey of an engagement on internal controls over user access management?

A. The policy for granting, modifying, and deleting user access to ensure processing requirements are clearly articulated.
B. A sample of change request forms to verify whether the forms bear the required approval for the user access change.
C. User access reports that were reviewed by management to ensure that access rights are appropriate for employee roles.
D. A current listing of system users and an employee listing to determine whether system users are active employees of the organization.

Answer: A

Question: 18

Which of the following is an advantage of an internal audit activity coordinating with a management- defined risk universe?

A. Increased completeness, including risk categories like political, supplier, and social media.
B. Business managers can identify and assess risks that occur within each category.
C. The internal audit activity can rely on management's risk assessment.
D. Organizationwide audits are required since risk events within categories occur in many different ways.

Answer: A

Question: 19

Which of the following is the primary reason a chief audit executive should network with an organization's executives?

A. To better understand and influence executives' planning.
B. To make executives aware of the benefits that the internal audit activity can provide.
C. To assist executives in setting the organization's risk appetite.
D. To have a better understanding of the training needed to strengthen the audit team.

Answer: B

Question: 20

According to IIA guidance, which of the following actions might place the independence of the internal audit function in jeopardy?

A. Having no active role or involvement in the risk management process.
B. Auditing the risk management process for reasonableness.
C. Coordinating and managing the risk management process.
D. Participating with management in identifying and evaluating risks.

Answer: C

Question: 21

According to IIA guidance, which of the following would not be a consideration for the internal audit activity (IAA) when determining the need to follow-up on recommendations?

A. Degree of effort and cost needed to correct the reported condition.
B. Complexity of the corrective action.
C. Impact that may result should the corrective action fail.
D. Amount of resources required to conduct the follow-up activities.

Answer: D

Question: 22

Which of the following is an appropriate responsibility for the internal audit activity with regard to the organization's risk management program?

A. Identifying and managing risks in line with the entity's risk appetite.
B. Ensuring that a proper and effective risk management process exists.
C. Attaining an adequate understanding of the entity's key mitigation strategies.
D. Identifying and ensuring that appropriate controls exist to mitigate risks.

Answer: B

Question: 23

Which of the following is a detective control for managing the risk of fraud?

A. Awareness of prior incidents of fraud.
B. Contractor non-disclosure agreements.
C. Verification of currency exchange rates.
D. Receipts for employee expenses.

Answer: D

Question: 24

Which of the following is a justifiable reason for omitting advance client notice when planning an audit engagement?

A. Advance notice may result in management making corrections to reduce the number of potential deficiencies.
B. Previous management action plans addressing prior internal audit recommendations remain incomplete.
C. The engagement includes audit assurance procedures such as sensitive or restricted asset verifications.
D. The audit engagement has already been communicated and approved through the annual audit plan.

Answer: C

Question: 25

According to IIA guidance, organizations have the most influence on which element of fraud?

A. Opportunity.
B. Rationalization.
C. Pressure.
D. Incentives.

Answer: A

Question: 26

The external auditor has identified a number of production process control deficiencies involving several departments. As a result, senior management has asked the internal audit activity to complete internal control training for all related staff. According to IIA guidance, which of the following would be the most appropriate course of action for the chief audit executive to follow?

A. Refuse to accept the consulting engagement because it would be a violation of independence.
B. Collaborate with the external auditor to ensure the most efficient use of resources.
C. Accept the engagement but hire an external training specialist to provide the necessary expertise. D. Accept the engagement even if the audit engagement staff was previously responsible for operational areas being trained.

Answer: C

Question: 27

Which of the following is not a primary reason for outsourcing a portion of the internal audit activity?

A. To gain access to a wider variety of skills, competencies and best practices.
B. To complement existing expertise with a required skill and competency for a particular audit engagement.
C. To focus on and strengthen core audit competencies.
D. To provide the organization with appropriate contingency planning for the internal audit function.

Answer: D

Question: 28

Which of the following statements about internal audit's follow-up process is true?

A. The nature, timing, and extent of follow-up for assurance engagements is standardized to ensure quality performance.

B. The actions of external auditors and other external assurance providers is not encompassed by internal audit's follow-up process.

C. Internal auditors have responsibility for determining if management and the board have implemented the recommended action or otherwise accepted the risk.

D. The follow-up process must be complete and documented in the working papers in order to conclude the engagement.

Answer: C

Question: 29

A manufacturer is under contract to produce and deliver a number of aircraft to a major airline. As part of the contract, the manufacturer is also providing training to the airline's pilots. At the time of the audit, the delivery of the aircraft had fallen substantially behind schedule while the training had already been completed. If half of the aircraft under contract have been delivered, which of the following should the internal auditor expect to be accounted for in the general ledger?

A. Training costs allocated to the number of aircraft delivered, and the cost of actual production hours completed to date.

B. All completed training costs, and the cost of actual production hours completed to date.

C. Training costs allocated to the number of aircraft delivered, and 50% of contracted production costs.

D. All completed training costs, and 50% of the contracted production costs.

Answer: B

Question: 30

An internal auditor determines that certain information from the engagement results is not appropriate for disclosure to all report recipients because it is privileged. In this situation, which of the following actions would be most appropriate?

A. Disclose the information in a separate report.
B. Distribute the information in a confidential report to the board only
C. Distribute the reports through the use of blind copies.
D. Exclude the results from the report and verbally report the conditions to senior management and the board.

Answer: A

Question: 31

For which of the following fraud engagement activities would it be most appropriate to involve a forensic auditor?

A. Independently evaluating conflicts of interests.
B. Assessing contracts for relevant terms and conditions.
C. Performing statistical analysis for data anomalies.
D. Preparing evidentiary documentation.

Answer: D

Question: 32

According to IIA guidance,which of the following is true about the supervising internal auditor's review notes?

- They are discussed with management prior to finalizing the audit.
- They may be discarded after working papers are amended as appropriate.
- They are created by the auditor to support her fieldwork in case of questions.
- They are not required to support observations issued in the audit report.

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

Answer: D

Question: 33

During a fraud interview, it was discovered that unquestioned authority enabled a vice president to steal funds from the organization. Which of the following best describes this condition?

A. Scheme.
B. Opportunity.
C. Rationalization.
D. Pressure.

Answer: B

Question: 34

According to IIA guidance, which of the following are appropriate actions for the chief audit executive regarding management's response to audit recommendations?

A. Evaluate and verify management's response, and determine the need and scope for additional work.
B. Evaluate and verify management's response, and establish timelines for corrective action by management.
C. Oversee the corrective actions undertaken by management, and determine the need and scope for additional work.
D. Oversee the corrective actions undertaken by management, and establish timelines for corrective action by management.

Answer: A

Question: 35

According to the Standards, which of the following is leastimportant in determining the adequacy of an annual audit plan?

A. Sufficiency.
B. Appropriateness.
C. Effective deployment.
D. Cost effectiveness.

Answer: D

Question: 36

The newly appointed chief audit executive (CAE) of a large multinational corporation, with seasoned internal audit departments located around the world, is reviewing responsibilities for engagement reports. According to IIA guidance, which of the following statements is true?

A. The CAE is required to review, approve, and sign every engagement report.

B. The CAE is required to review, approve, and sign all regulatory compliance engagement reports only

C. The CAE may delegate responsibility for reviewing, approving and signing engagement reports, but should review the reports after they are issued.

D. The internal audit charter must identify authorized signers of engagement reports.

Answer: C

Question: 37

The internal audit activity (IAA) wants to measure its performance related to the quality of audit recommendations. Which of the following client survey questions would best help the IAA meet this objective?

A. Were audit findings relevant and useful to management?
B. Does the audit report format present issues clearly and concisely?
C. Does the IAA work with a high degree of professionalism and objectivity?
D. Were the findings reported in a timely manner?

Answer: A

Question: 38

When forming an opinion on the adequacy of management's systems of internal control, which of the following findings would provide the most reliable assurance to the chief audit executive?

- During an audit of the hiring process in a law firm, it was discovered that potential employees' credentials were not always confirmed sufficiently. This process remained unchanged at the following audit.
- During an audit of the accounts payable department, auditors calculated that two percent of accounts were paid past due. This condition persisted at a follow up audit.
- During an audit of the vehicle fleet of a rental agency, it was determined that at any given time, eight percent of the vehicles were not operational. During the next audit, this figure had increased.
- During an audit of the cash handling process in a casino, internal audit discovered control deficiencies in the transfer process between the slot machines and the cash counting are a. It was corrected immediately.

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

Answer: D

Question: 39

An internal auditor and engagement client are deadlocked over the auditor's differing opinion with management on the adequacy of access controls for a major system. Which of the following strategies would be the most helpful in resolving this dispute?

A. Conduct a joint brainstorming session with management.
B. Ask the chief audit executive to mediate.
C. Disclose the client's differing opinion in the final report.
D. Escalate the issue to senior management for a decision.

Answer: D

Question: 40

When setting the scope for the identification and assessment of key risks and controls in a process,

which of the following would be the least appropriate approach?

A. Develop the scope of the audit based on a bottom-up perspective to ensure that all business objectives are considered.
B. Develop the scope of the audit to include controls that are necessary to manage risk associated with a critical business objective.
C. Specify that the auditors need to assess only key controls, but may include an assessment of nonkey controls if there is value to the business in providing such assurance.
D. Ensure the audit includes an assessment of manual and automated controls to determine whether business risks are effectively managed.

Answer: A

Question: 41

According to IIA guidance, which of the following is true when the internal audit activity is asked to investigate potential ethics violations in a foreign subsidiary?

A. Communication of any internal ethics violations to external parties may occur with appropriate safeguards.

B. Cultural impacts are less critical where the organization practices uniform polices around the globe.
C. Cross-cultural differences should always be handled by the staff of the same cultural background.
D. Local law enforcement should be involved as they are more familiar with the applicable local laws.

Answer: A

Question: 42

The chief audit executive of a medium-sized financial institution is evaluating the staffing model of the internal audit activity (IAA). According to IIA guidance, which of the following are the most appropriate strategies to maximize the value of the current IAA resources?

- The annual audit plan should include audits that are consistent with the skills of the IAA.
- Audits of high-risk areas of the organization should be conducted by internal audit staff.
- External resources may be hired to provide subject-matter expertise but should be supervised.
- Auditors should develop their skills by being assigned to complex audits for learning opportunities.

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

Answer: D

Question: 43

It is close to the fiscal year end for a government agency, and the chief audit executive (CAE) has the following items to submit to either the board or the chief executive officer (CEO) for approval.
According to IIA guidance, which of the following items should be submitted only to the CEO?

A. The internal audit risk assessment and audit plan for the next fiscal year.
B. The internal audit budget and resource plan for the coming fiscal year.
C. A request for an increase of the CAE's salary for the next fiscal year.
D. The evaluation and compensation of the internal audit team.

Answer: C

Question: 44

An internal control questionnaire would be most appropriate in which of the following situations?

A. Testing controls where operating procedures vary.
B. Testing controls in decentralized offices.
C. Testing controls in high risk areas.
D. Testing controls in areas with high control failure rates.

Answer: B

Question: 45

According to IIA guidance, which of the following statements is true regarding the authority of the chief audit executive (CAE) to release previous audit reports to outside parties?

A. The CAE can release prior internal audit reports with the approval of the board and senior management.
B. The CAE can employ judgment and release prior audit results as they deem appropriate and necessary.
C. The CAE can only release prior information outside the organization when mandated by legal or statutory requirements.
D. The CAE can release prior information provided it is as originally published and distributed within the organization.

Answer: A

Question: 46

An internal auditor has been assigned to facilitate a risk and control self-assessment for the finance group. Which of the following is the most appropriate role that she should assume when facilitating the workshop?

A. Express an opinion on the participants' inputs and conclusions as the assessment progresses.
B. Provide appropriate techniques and guidelines on how the exercise should be undertaken.
C. Evaluate and report on all issues that may be uncovered during the exercise.
D. Screen and vet participants so that the most appropriate candidates are selected to participate in the exercise.

Answer: B

Question: 47

An audit identified a number of weaknesses in the configuration of a critical client/server system. Although some of the weaknesses were corrected prior to the issuance of the audit report, correction of the rest will require between 6 and 18 months for completion. Consequently, management has developed a detailed action plan, with anticipated completion dates, for addressing the weaknesses. What is the most appropriate course of action for the chief audit executive to take?

A. Assess the status of corrective action during a follow-up audit engagement after the action plan has been completed.

B. Assess the effectiveness of corrections by reviewing statistics related to unplanned system outages, and denials of service.

C. Reassign information systems auditors to assist in implementing management's action plan. D. Evaluate the ability of the action plan to correct the weaknesses and monitor key dates and deliverables.

Answer: D

Question: 48

Which of the following is not an outcome of control self-assessment?

A. Informal, soft controls are omitted, and greater focus is placed on hard controls.

B. The entire objectives-risks-controls infrastructure of an organization is subject to greater monitoring and continuous improvement.

C. Internal auditors become involved in and knowledgeable about the self-assessment process.

D. Nonaudit employees become experienced in assessing controls and associating control processes with managing risks.

Answer: A

Question: 49

A code of business conduct should include which of the following to increase its deterrent effect?

1. Appropriate descriptions of penalties for misconduct.
2. A notification that code of conduct violations may lead to criminal prosecution.
3. A description of violations that injure the interests of the employer.
4. A list of employees covered by the code of conduct.

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

Answer: A

Question: 50

New environmental regulations require the board to certify that the organization's reported pollutant emissions data is accurate. The chief audit executive (CAE) is planning an audit to provide assurance over the organization's compliance with the environmental regulations. Which of the following groups or individuals is most important for the CAE to consult to determine the scope of the audit?

A. The audit committee of the board.
B. The environmental, health, and safety manager.
C. The organization's external environmental lawyers.
D. The organization's insurance department.

Answer: B

Question: 51

The board has asked the internal audit activity (IAA) to be involved in the organization's enterprise risk management process. Which of the following activities is appropriate for IAA to perform without safeguards?

A. Coach management in responding to risks.
B. Develop risk management strategies for board approval.
C. Facilitate identification and evaluation of risks.
D. Evaluate risk management processes.

Answer: D

Question: 52

According to IIA guidance, which of the following statements are true regarding the internal audit plan?

1. The audit plan is based on an assessment of risks to the organization.
2. The audit plan is designed to determine the effectiveness of the organization's risk management process.
3. The audit plan is developed by senior management of the organization.
4. The audit plan is aligned with the organization's goals.

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

Answer: C

Question: 53

An internal auditor is assessing the organization's risk management framework. Which of the following formulas should he use to calculate the residual risk?

A) *(Probability of events)* x *{Control)* x (Asset *value)*

B) *(Probability of events)* *(Impacts)* x *(Controls gap)*

C) *(Probability of events)* x *(Impacts)*

D)

{Probability of events) x (Asset *value)* x *(Vulnerability)* x *(Controls)*

A. Option A B. Option B C. Option C D. Option D

Answer: C

Question: 54

Which of the following statements is false regarding roles and responsibilities pertaining to risk management and control?

A. Senior management is charged with overseeing the establishment risk management and control processes.
B. The chief audit executive is responsible for overseeing the evaluation risk management and control processes.
C. Operating managers are responsible for assessing risks and controls in their departments.
D. Internal auditors provide assurance about risk management and control process effectiveness.

Answer: A

Question: 55

Which of the following should be included in a privacy audit engagement?
1. Assess the appropriateness of the information gathered.
2. Review the methods used to collect information.
3. Consider whether the information collected is in compliance with applicable laws.
4. Determine how the information is stored.

A. 1 and 3 only

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

Answer: D

Question: 56

Due to price risk from the foreign currency purchase of aviation fuel, an airliner has purchased forward contracts to hedge against fluctuations in the exchange rate. When recalculating the exchange losses from individual purchases of jet fuel, which of the following details does the internal auditor need to validate?

1. The hedge documentation designating the hedge.
2. The spot exchange rate on the transaction date.
3. The terms of the forward contract.
4. The amount of fuel purchased.

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

Answer: C

Question: 57

Which of the following statements describes an engagement planning best practice?

A. It is best to determine planning activities on a case-by-case basis because they can vary widely from engagement to engagement.
B. If the engagement subject matter is not unique, it is not necessary to outline specific testing procedures during the planning phase.
C. The engagement plan includes the expected distribution of the audit results, which should be kept confidential until the audit report is final.
D. Engagement planning activities include setting engagement objectives that align with audit client's business objectives.

Answer: D

Question: 58

Which of the following is not a primary purpose for conducting a walk-through during the initial stages of an assurance engagement?

A. To help develop process maps.

B. To determine segregation of duties.
C. To identify residual risks.
D. To test the adequacy of controls.

Answer: D

Question: 59

After the team member who specialized in fraud investigations left the internal audit team, the chief audit executive decided to outsource fraud investigations to a third party service provider on an as needed basis. Which of the following is most likely to be a disadvantage of this outsourcing decision?

A. Cost.
B. Independence.
C. Familiarity.
D. Flexibility.

Answer: C

Question: 60

Which of the following is an effective approach for internal auditors to take to improve collaboration with audit clients during an engagement?

1. Obtain control concerns from the client before the audit begins so the internal auditor can tailor the scope accordingly.
2. Discuss the engagement plan with the client so the client can understand the reasoning behind the approach.
3. Review test criteria and procedures where the client expresses concerns about the type of tests to be conducted.
4. Provide all observations at the end of the audit to ensure the client is in agreement with the facts before publishing the report.

A. 1 and 2 only
B. 1 and 4 only

C. 2 and 3 only
D. 3 and 4 only

Answer: C

Question: 61

According to IIA guidance, which of the following is true regarding the exit conference for an internal audit engagement?

A. A primary purpose of the exit conference is to provide for the timely communication of observations that call for immediate management action.

B. Both the chief audit executive and the chief executive over the activity or function reviewed must attend the exit conference to validate the findings.

C. The exit conference provides only anticipated results for inclusion in the final audit communication.

D. During the exit conference, the performance of the internal auditors who executed the engagement is reviewed.

Answer: A

Question: 62

Which of the following components should be included in an audit finding?

1. The scope of the audit.
2. The standard(s) used by the auditor to make the evaluation.
3. The engagement's objectives.
4. The factual evidence that the internal auditor found in the course of the examination.

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

Answer: C

Question: 63

A newly promoted chief audit executive (CAE) is faced with a backlog of assurance engagement reports to review for approval. In an attempt to attach a priority for this review, the CAE scans the opinion statement on each report. According to IIA guidance, which of the following opinions would receive the lowest review priority?

1. Graded positive opinion.
2. Negative assurance opinion.
3. Limited assurance opinion.
4. Third-party opinion.

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

Answer: B

Question: 64

After finalizing an assurance engagement concerning safety operations in the oil mining process, the audit team concluded that no key controls were compromised. However, some opportunities for improvement were noted. Which of the following would be the most appropriate way for the chief audit executive (CAE) to report these results?

A. The CAE should send the final report to operational and senior management and the audit committee.
B. The CAE should send the final report to operational management only, as there is no need to communicate this information to higher levels.
C. The CAE should notify operational and senior management that the audit engagement was completed with no significant findings to report.
D. The CAE should send the final report to operational management and notify senior management and the audit committee that no significant findings were identified.

Answer: D

Question: 65

While conducting an audit of a third party's Web-based payment processor, an internal auditor discovers that a programming error allows customers to create multiple accounts for a single mailing address. Management agrees to correct the program and notify customers with multiple accounts that the accounts will be consolidated. Which of the following actions should the auditor take?

1. Schedule a follow-up review to verify that the program was corrected and the accounts were consolidated.
2. Evaluate the adequacy and effectiveness of the corrective action proposed by management.
3. Amend the scope of the subsequent audit to verify that the program was corrected and that accounts were consolidated.
4. Submit management's plan of action to the external auditors for additional review.

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

Answer: A

Question: 66

An internal auditor is conducting a review of the procurement function and uncovers a potential conflict of interest between the chief operating officer and a significant supplier of IT software development services. Which of the following actions is most appropriate for the internal auditor to take?

A. Inform the audit supervisor.
B. Investigate the potential conflict of interest.
C. Inform the external auditors of the potential conflict of interest.
D. Disregard the potential conflict, because it is outside the scope of the audit assignment.

Answer: A

Question: 67

A large retail organization, which sells most of its products online, experiences a computer hacking incident. The chief IT officer immediately investigates the incident and concludes that the attempt was not successful. The chief audit executive (CAE) learns of the attack in a casual conversation with an IT auditor. Which of the following actions should the CAE take?

1. Meet with the chief IT officer to discuss the report and control improvements that will be implemented as a result of the security breach, if any.
2. Immediately inform the chair of the audit committee of the security breach, because thus far only the chief IT officer is aware of the incident.
3. Meet with the IT auditor to develop an appropriate audit program to review the organization's Internet-based sales process and key controls.
4. Include the incident in the next quarterly report to the audit committee.

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

Answer: B

Question: 68

During an assurance engagement, an internal auditor noted that the time staff spent accessing customer information in large Excel spreadsheets could be reduced significantly through the use of macros. The auditor would like to train staff on how to use the macros. Which of the following is the most appropriate course of action for the internal auditor to take?

A. The auditor must not perform the training, because any task to improve the business process could impact audit independence.

B. The auditor must create a new, separate consulting engagement with the business process owner prior to performing the improvement task.

C. The auditor should get permission to extend the current engagement, and with the process owner's approval, perform the improvement task.

D. The auditor may proceed with the improvement task without obtaining formal approval, because the task is voluntary and not time-intensive.

Answer: C

Question: 69

According to IIA guidance, which of the following strategies would add the least value to the achievement of the internal audit activity's (IAA's) objectives?

A. Align organizational activities to internal audit activities and measure according to the approved IAA performance measures.

B. Establish a periodic review of monitoring and reporting processes to help ensure relevant IAA reporting.

C. Use the results of IAA engagement and advisory reporting to guide current and future internal audit activities.

D. Establish a format and frequency for IAA reporting that is appropriate and aligns with the organization's governance structure.

Answer: A

Question: 70

According to IIA guidance, which of the following statements best justifies a chief audit executive's request for external consultants to complement internal audit activity (IAA) resources?

A. The organization's audit universe is extensive and diverse.

B. There has been an increase in unanticipated requests for advisory work.

C. Previous work provided by the external service provider has been of great quality and value.

D. A recent benchmarking study found that using external service providers is a common practice of similarly-sized IAAs in other organizations.

Answer: A

Question: 71

The chief audit executive (CAE) of a small internal audit activity (IAA) plans to test conformance with the Standards through a quality assurance review. According to the Standards, which of the following are acceptable practice for this review?

1. Use an external service provider.
2. Conduct a self-assessment with independent validation.
3. Arrange for a review by qualified employees outside of the IAA.
4. Arrange for reciprocal peer review with another CAE.

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

Answer: B

Question: 72

A large investment organization hired a chief risk officer (CRO) to be responsible for the organization's risk management processes. Which of the following people should prioritize risks to be used for the audit plan?

A. Operational management, because they are responsible for the day-to-day management of the operational risks.
B. The CRO, because he is responsible for coordinating and project managing risk activities based on his specialized skills and knowledge.
C. The chief audit executive, although he is not accountable for risk management in the organization.
D. The CEO, because he has ultimate responsibility for ensuring that risks are managed within the agreed tolerance limits set by the board.

Answer: C

Question: 73

Which of the following actions are appropriate for the chief audit executive to perform when identifying audit resource requirements?

1. Consider employees from other operational areas as audit resources, to provide additional audit coverage in the organization.
2. Approach an external service provider to conduct internal audits on certain areas of the organization, due to a

lack of skills in the organization.

3. Suggest to the audit committee that an audit of technology be deferred until staff can be trained, due to limited IT audit skills among the audit staff.

4. Communicate to senior management a summary report on the status and adequacy of audit resources.

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

Answer: B

Question: 74

The chief risk officer (CRO) of a large manufacturing organization decided to facilitate a workshop for process managers and staff to identify opportunities for improving productivity and reducing defects. Which of the following is the most likely reason the CRO chose the workshop approach?

A. It minimizes the amount of time spent and cost incurred to gather the necessary information.
B. Responses can be confidential, thus encouraging participants to be candid expressing their concerns.
C. Workshops do not require extensive facilitation skills and are therefore ideal for nonauditors.
D. Workshop participants have an opportunity to learn while contributing ideas toward the objectives.

Answer: D

Question: 75

Which of the following is the primary purpose of financial statement audit engagements?

A. To assess the efficiency and effectiveness of the accounting department.
B. To evaluate organizational and departmental structures, including assessments of process flows related to financial matters.
C. To provide a review of routine financial reports, including analyses of selected accounts for compliance with generally accepted accounting principles.
D. To provide an analysis of business process controls in the accounting department, including tests of compliance with internal policies and procedures.

Answer: C

Question: 76

An internal auditor notes that employees continue to violate segregation-of-duty controls in several areas of the finance department, despite previous audit recommendations. Which of the following recommendations is the most appropriate to address this concern?

A. Recommend additional segregation-of-duty reviews.
B. Recommend appropriate awareness training for all finance department staff.
C. Recommend rotating finance staff in this area.
D. Recommend that management address these concerns immediately.

Answer: B

Question: 77

Which of the following has the greatest effect on the efficiency of an audit?

A. The complexity of deficiency findings.
B. The adequacy of preliminary survey information.
C. The organization and content of workpapers.
D. The method and amount of supporting detail used for the audit report.

Answer: B

Question: 78

Which of the following is least likely to help ensure that risk is considered in a work program?

A. Risks are discussed with audit client.
B. All available information from the risk-based plan is used.
C. Client efforts to affect risk management are considered.
D. Prior risk assessments are considered.

Answer: A

Question: 79

An internal auditor is conducting an assessment of the purchasing department. She has worked the full amount of hours budgeted for the engagement; however, the audit objectives are not yet complete. According to IIA guidance, which of the following are appropriate options available to the chief audit executive?

1. Allow the auditor to decide whether to extend the audit engagement.
2. Determine whether the work already completed is sufficient to conclude the engagement.
3. Provide the auditor feedback on areas of improvement for future engagements.
4. Provide the auditor with instructions and directions to complete the audit.

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

Answer: D

Question: 80

Which of the following factors would the auditor in charge be least likely to consider when assigning tasks to audit team members for an engagement?

A. The amount of experience the auditors have conducting audits in the specific area of the organization.
B. The availability of the auditors in relation to the availability of key client staff.
C. Whether the budgeted hours are sufficient to complete the audit within the current scope.
D. Whether outside resources will be needed, and their availability.

Answer: C

Question: 81

An organization's internal audit plan includes a recurring assurance review of the human resources (HR) department. Which of the following statements is true regarding preliminary communication between the auditor in charge (AIC) and the HR department?

1. The AIC should notify HR management when the draft audit plan is being developed, as a courtesy.
2. The AIC should notify HR management before the planning stage begins.
3. The AIC should schedule formal status meetings with HR management at the start of the engagement.
4. The AIC should finalize the scope of the engagement before communicating with HR management.

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

Answer: C

Question: 82

The final internal audit report should be distributed to which of the following individuals?

A. Audit client management only
B. Executive management only
C. Audit client management, executive management, and others approved by the chief audit executive.
D. Audit client management, executive management, and any those who request a copy.

Answer: C

Question: 83

According to IIA guidance, which of the following individuals should receive the final audit report on a compliance engagement for the organization's cash disbursements process?

A. The accounts payable supervisor, accounts payable manager, and controller.
B. The accounts payable manager, purchasing manager, and receiving manager.
C. The accounts payable supervisor, controller, and treasurer.
D. The accounts payable manager, chief financial officer, and audit committee.

Answer: D

Question: 84

If observed during fieldwork by an internal auditor, which of the following activities is least important to communicate formally to the chief audit executive?

A. Acts that may endanger the health or safety of individuals.
B. Acts that favor one party to the detriment of another.
C. Acts that damage or have an adverse effect on the environment.
D. Acts that conceal inappropriate activities in the organization.

Answer: B

Question: 85

An internal auditor submitted a report containing recommendations for management to enhance internal controls related to investments. To follow up, which of the following is the most appropriate action for the internal auditor to take?

A. Observe corrective measures.
B. Seek a management assurance declaration.
C. Follow up during the next scheduled audit.
D. Conduct appropriate testing to verify management responses.

Answer: D

Question: 86

Which of the following would most likely cause an internal auditor to consider adding fraud work steps to the audit program?

A. Improper segregation of duties.
B. Incentives and bonus programs.
C. An employee's reported concerns.
D. Lack of an ethics policy.

Answer: A

Question: 87

Which of the following recommendations made by the internal audit activity (IAA) is most likely to help prevent fraud?

A. A review of password policy compliance found that employees frequently use the same password more than once during a year. The IAA recommends that the access control software reject any password used more than once during a 12-month period.
B. A review of internal service-level agreement compliance in financial services found that requests for information frequently are fulfilled up to two weeks late. The IAA recommends that the financial services unit be eliminated for its ineffectiveness.
C. A vacation policy compliance review found that employees frequently leave on vacation before their leave applications are signed by their manager. The IAA recommends that the manager attend to the leave applications in a more timely fashion.

D. A review of customer service-level agreements found that orders to several customers are frequently delivered late. The IAA recommends that the organization extend the expected delivery time advertised on its website.

Answer: A

Question: 88

An organization's board would like to establish a formal risk management function and has asked the chief audit executive (CAE) to be involved in the process. According to IIA guidance, which of the following roles should the CAE not undertake?

A. Manage and coordinate risk management processes.

B. Audit risk management processes.
C. Become involved in risk oversight committees, monitoring activities, and status reporting.
D. Accept management's responsibility for risk management without board approval.

Answer: D

Question: 89

When creating the internal audit plan, the chief audit executive should prioritize engagements based primarily on which of the following?

A. The last available risk assessment.
B. Requests from senior management and the board.
C. The longest interval since the last examination of each audit universe item.
D. The auditable areas required by regulatory agencies.

Answer: A

Question: 90

Which of the following conditions are necessary for successful change management?
1. Decisions and necessary actions are taken promptly.
2. The traditions of the organization are respected.
3. Changes result in improvement or reform.
4. Internal and external communications are controlled.

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

Answer: B

Question: 91

A chief audit executive (CAE) is determining which engagements to include on the annual audit plan. She would like to consider the organization's attitude toward risk and the degree of difficulty in achieving objectives. Which of the following resources should the CAE consult?

A. The corporate risk register.
B. The strategic plan.
C. Internal and external audit reports.
D. The board's meeting records.

Answer: A

Question: 92

When establishing a quality assurance and improvement program, the chief audit executive should ensure the program is designed to accomplish which of the following objectives?

1. Add value.
2. Improve operations.
3. Provide assurance that the internal audit activity conforms with the Standards.
4. Provide assurance that the internal audit activity conforms with the IIA Code of Ethics.

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

Answer: D

Question: 93

Which of the following best illustrates the primary focus of a risk-based approach to control selfassessment?

A. To evaluate controls regarding the computer security of an oil refinery.
B. To examine the processes involved in exploring, developing, and operating a gold mine.
C. To assess the likelihood and impact of events associated with operating a finished goods warehouse.
D. To link a financial institution's business objectives to a work unit responsible for the associated risk.

Answer: D

Question: 94

Due to a recent system upgrade, an audit is planned to test the payroll process. Which of the following audit objectives would be most important to prevent fraud?

A. Verify that amounts are correct.
B. Verify that payments are on time.
C. Verify that recipients are valid employees.
D. Verify that benefits deductions are accurate.

Answer: C

Question: 95

Which of the following statements is false regarding audit criteria?

A. Audit criteria should be consistent across audit assignments.
B. Audit criteria should represent reasonable standards against which to assess existing conditions.
C. Audit criteria should provide flexibility but allow identification of nonadherence.
D. Audit criteria should equate to good or acceptable management practices.

Answer: A

Question: 96

An audit client responded to recommendations from a recent consulting engagement. The client indicated that several recommended process improvements would not be implemented. Which of the following actions should the internal audit activity take in response?

A. Escalate the unresolved issues to the board, because they could pose significant risk exposures to the organization.
B. Confirm the decision with management and document this decision in the audit file.
C. Document the issue in the audit file and follow up until the issues are resolved.

D. Initiate an assurance engagement on the unresolved issues.

Answer: B

Question: 97

Which of the following is the most important concept to be included in a consulting engagement agreement?

A. Define the duties and responsibilities needed from management to perform the engagement. B. Disclose the fact that auditors who perform the work may not be subject matter experts in the topic of the review.

C. Clarify that matters discovered during the engagement may also be reported to senior management and the audit committee.

D. Disclose the fact that follow-up reviews may be conducted to ensure that recommendations are implemented adequately.

Answer: A

Question: 98

An employee in the sales department completes a purchase requisition and forwards it to the purchaser. The purchaser places competitive bids and orders the requested items using approved purchase orders. When the employee receives the ordered items, she forwards the packing slips to the accounts payable department. The invoice for the ordered items is sent directly to the sales department, and an administrative assistant in the sales department forwards the invoices to the accounts payable department for payment. Which of the following audit steps best addresses the risk of fraud in the cash receipts process?

A. Verify that approvals of purchasing documents comply with the authority matrix.
B. Observe whether the purchase orders are sequentially numbered.
C. Examine whether the sales department supervisor approves invoices for payment.
D. Determine whether the accounts payable department reconciles all purchasing documents prior to payment.

Answer: D

Question: 99

According to IIA guidance, which of the following are the most important objectives for helping to ensure the appropriate completion of an engagement?

1. Coordinate audit team members to ensure the efficient execution of all engagement procedures.
2. Confirm engagement workpapers properly support the observations, recommendations, and conclusions.

3. Provide structured learning opportunities for engagement auditors when possible.

4. Ensure engagement objectives are reviewed for satisfactory achievement and are documented properly.

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

Answer: B

Question: 100

When constructing a staffing schedule for the internal audit activity (IAA), which of the following criteria are most important for the chief audit executive to consider for the effective use of audit resources?

1. The competency and qualifications of the audit staff for specific assignments.
2. The effectiveness of IAA staff performance measures.
3. The number of training hours received by staff auditors compared to the budget.
4. The geographical dispersion of audit staff across the organization.

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

Answer: B

Question: 101

When developing the scope of an audit engagement, which of the following would the internal auditor typically not need to consider?

A. The need and availability of automated support.
B. The potential impact of key risks.
C. The expected outcomes and deliverables.
D. The operational and geographic boundaries.

Answer: A

Question: 102

Which of the following situations would justify the removal of a finding from the final audit report?

A. Management disagrees with the report findings and conclusions in their responses.
B. Management has already satisfactorily completed the recommended corrective action.
C. Management has provided additional information that contradicts the findings.
D. Management believes that the finding is insignificant and unfairly included in the report.

Answer: C

Question: 103

According to IIA guidance, which of the following activities is most likely to enhance stakeholders' perception of the value the internal audit activity (IAA) adds to the organization?

1. The IAA uses computer-assisted audit techniques and IT applications.
2. The IAA uses a consistent risk-based approach in both its planning and engagement execution.
3. The IAA demonstrates the ability to build strong and constructive relationships with audit clients.
4. The IAA frequently is involved in various project teams and task forces in an advisory capacity.

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

Answer: D

Question: 104

A chief audit executive is preparing interview questions for the upcoming recruitment of a senior internal auditor. According to IIA guidance, which of the following attributes shows a candidate's ability to probe further when reviewing incidents that have the appearance of misbehavior?

A. Integrity.
B. Flexibility.
C. Initiative.
D. Curiosity.

Answer: D

Question: 105

According to IIA guidance, which of the following procedures would be least effective in managing the risk of payroll fraud?

A. The employee's name listed on organization's payroll is compared to the personnel records.

B. Payroll time sheets are reviewed and approved by the timekeeper before processing.

C. Employee access to the payroll database is deactivated immediately upon termination.

D. Changes to payroll are validated by the personnel department before being processed.

Answer: B

Question: 106

During an assurance engagement, an internal auditor discovered that a sales manager approved numerous sales contracts for values exceeding his authorization limit. The auditor reported the finding to the audit supervisor, noting that the sales manager had additional new contracts under negotiation. According to IIA guidance, which of the following would be the most appropriate next step?

A. The audit supervisor should include the new contracts in the finding for the final audit report.

B. The audit supervisor should communicate the finding to the supervisor of the sales manager through an interim report.

C. The audit supervisor should remind the sales manager of his authority limit for the contracts under negotiation.

D. The auditor should not reference the new contracts, because they are not yet signed and therefore cannot be included in the final report.

Answer: B

Question: 107

An internal auditor wants to determine whether employees are complying with the information security policy, which prohibits leaving sensitive information on employee desks overnight. The auditor checked a sample of 90 desks and found eight that contained sensitive information. How should this observation be reported, if the organization tolerates 4 percent noncompliance?

A. The matter does not need to be reported, because the noncompliant findings fall within the acceptable tolerance limit.

B. The deviations are within the acceptable tolerance limit, so the matter only needs to be reported to the information security manager.

C. The incidents of noncompliance fall outside the acceptable tolerance limit and require immediate corrective action, as opposed to reporting.

D. The incidents of noncompliance exceed the tolerance level and should be included in the final engagement report.

Answer: D

Question: 108

Which of the following is the primary reason the chief audit executive should consider the organization's strategic plans when developing the annual audit plan?

A. Strategic plans reflect the organization's business objectives and overall attitude toward risk.

B. Strategic plans are helpful to identify major areas of activity, which may direct the allocation of internal audit activity resources.

C. Strategic plans are likely to show areas of weak financial controls.

D. The strategic plan is a relatively stable document on which to base audit planning.

Answer: A

Question: 109

An organization has a health and safety division that conducts audits to meet regulatory requirements. The chief health and safety officer reports directly to the CEO. Which of the following describes an appropriate role for the chief audit executive (CAE) with regard to the organization's health and safety program?

A. The CAE has no role to play, because the chief health and safety officer reports to a senior executive.

B. The CAE should coordinate with, and review the work of, the chief health and safety officer to gain an understanding of whether risks related to health and safety are managed properly.

C. The CAE should give periodic reports directly to the regulator regarding health and safety issues, as it is the appropriate regulatory oversight body.

D. The CAE should hire an independent external specialist to conduct an annual assessment and provide assurance over the effectiveness of the health and safety program and the reliability of its reports.

Answer: B

Question: 110

Which of the following factors should a chief audit executive consider when determining the audit universe?

1. Components of the organization's strategic plan.
2. Inputs from senior management and the board.
3. Views of competitors and business associates.
4. Results of exit interviews with departing employees.

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

Answer: C

Question: 111

Which of the following evaluation criteria would be the most useful to help the chief audit executive determine whether an external service provider possesses the knowledge, skills, and other competencies needed to perform a review?

A. The financial interest the service provider may have in the organization.
B. The relationship the service provider may have had with the organization or the activities being reviewed.
C. Compensation or other incentives that may be applicable to the service provider.
D. The service provider's experience in the type of work being considered.

Answer: D

Question: 112

Which of the following behaviors could represent a significant ethical risk if exhibited by an organization's board?

1. Intervening during an audit involving ethical wrongdoing.
2. Discussing periodic reports of ethical breaches.
3. Authorizing an investigation of an unsafe product.
4. Negotiating a settlement of an employee claim for personal damages.

A. 1 and 2
B. 1 and 4

C. 2 and 3
D. 3 and 4

Answer: B

Question: 113

According to IIA guidance, which of the following is true regarding audit supervision?

1. Supervision should be performed throughout the planning, examination, evaluation, communication, and follow-up stages of the audit engagement.
2. Supervision should extend to training, time reporting, and expense control, as well as administrative matters.
3. Supervision should include review of engagement workpapers, with documented evidence of the review.

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

Answer: D

Question: 114

Which of the following best describes the four components of a balanced scorecard?

A. Customers, innovation, growth, and internal processes.
B. Business objectives, critical success factors, innovation, and growth.
C. Customers, support, critical success factors, and learning.
D. Financial measures, learning and growth, customers, and internal processes.

Answer: D

Question: 115

Which of the following is not a direct benefit of control self-assessment (CSA)?

A. CSA allows management to have input into the audit plan.
B. CSA allows process owners to identify, evaluate, and recommend improving control deficiencies.
C. CSA can improve the control environment.
D. CSA increases control consciousness.

Answer: A

Question: 116

An internal auditor is conducting a financial audit. Which of the following audit procedures is most appropriate when existing internal controls are weak?

A. Analytical procedures.
B. Detail testing.
C. Test of design.
D. Test of control.

Answer: B

Question: 117

A draft internal audit report that cites deficient conditions generally should be reviewed with which of the following groups?

1. The client manager and her superior.
2. Anyone who may object to the report's validity.
3. Anyone required to take action.
4. The same individuals who receive the final report.

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

Answer: C

Question: 118

Which of the following statements is true pertaining to interviewing a fraud suspect?

1. Information gathered can be subjective as well as objective to be useful.
2. The primary objective is to obtain a voluntary written confession.
3. The interviewer is likely to begin the interview with open-ended questions.
4. Video recordings always should be used to provide the highest quality evidence.

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

Answer: C

Question: 119

According to IIA guidance, which of the following statements is false regarding a review of the controls in place to prevent fraud?

A. The review should focus on the efficiency of the controls in place to prevent fraud.
B. The scope of the review does not need to include all operating areas of the organization.
C. The cost of the control should be compared to the benefit of mitigating the related risk.
D. The review should assess whether the internal controls can be circumvented.

Answer: A

Question: 120

According to IIA guidance, which of the following accurately describes the responsibilities of the chief audit executive with respect to the final audit report?

1. Coordinate post-engagement conferences to discuss the final audit report with management.
2. Include management's responses in the final audit report.
3. Review and approve the final audit report.
4. Determine who will receive the final audit report.

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

Answer: D

Question: 121

According to IIA guidance, which of the following factors should the auditor in charge consider when determining the resource requirements for an audit engagement?

A. The number, experience, and availability of audit staff as well as the nature, complexity, and time constraints of the engagement.
B. The appropriateness and sufficiency of resources and the ability to coordinate with external auditors.
C. The number, proficiency, experience, and availability of audit staff as well as the ability to coordinate with external auditors.
D. The appropriateness and sufficiency of resources as well as the nature, complexity, and time constraints of the

engagement.

Answer: A

Question: 122

According to IIA guidance, which of the following is least likely to be a key financial control in an organization's accounts payable process?

A. Require the approval of additions and changes to the vendor master listing, where the inherent risk of false vendors is high.
B. Monitor amounts paid each period and compare them to the budget to identify potential issues.
C. Compare employee addresses to vendor addresses to identify potential employee fraud.
D. Monitor customer quality complaints compared to the prior period to identify vendor issues.

Answer: D

Question: 123

Which of the following is an appropriate role for the internal audit activity with regard to the organization's risk management program?

A. Identify and manage risks in line with the organization's risk appetite.
B. Ensure that a proper and effective risk management process exists.
C. Attain an adequate understanding of the organization's key risk mitigation strategies.
D. Identify and ensure that appropriate controls exist to mitigate risks.

Answer: C

Question: 124

Which of the following would not be a typical activity for the chief audit executive to perform following an audit engagement?

A. Report follow-up activities to senior management.
B. Implement follow-up procedures to evaluate residual risk.
C. Determine the costs of implementing the recommendations.

D. Evaluate the extent of improvements.

Answer: C

Question: 125

During an audit of the accounts receivable (AR) process, an internal auditor noted that reconciliations are still not performed regularly by the AR staff, a recommendation that was made following a previous audit. Monitoring by the financial reporting function has failed to detect the shortcoming. Both the financial reporting function and AR report to the controller, who is responsible for implementing action plans. Which of the following supports the internal auditor's decision to combine both observations into one reported finding?

A. The observation was made during the same audit, and the action plan has a common owner.
B. The observation relates to the same control activity within a common process.
C. The observation has a common control, and it was noted in a prior audit.
D. The observation has a common process, and the action plan for the observation has a common owner.

Answer: A

Question: 126

A chief audit executive (CAE) received a detailed internal report of senior management's internal control assessment. Which of the following subsequent actions by the CAE would provide the greatest assurance over management's assertions?

A. Assert whether the described and reported control processes and systems exist.
B. Assess whether senior management adequately supports and promotes the internal control culture described in the report.
C. Evaluate the completeness of the report and management's responses to identified deficiencies.
D. Determine whether management's operating style and the philosophy described in the report reflect the effective functioning of internal controls.

Answer: C

Question: 127

Which of the followings statements describes a best practice regarding assurance engagement communication activities?

A. All assurance engagement observations should be communicated to the audit committee.

B. All assurance engagement observations should be included in the main section of the engagement communication.

C. During the "communicate" phase of an assurance engagement, it is best to define the methods and timing of engagement communications.

D. A detailed escalation process should be developed during the planning stage of an assurance engagement.

Answer: C

Question: 128

An engagement team is being assembled to audit of one of the organization's vendors Which of the following statements best applies to this scenario?

A. The engagement team should include internal auditors who have expertise in investigating vendor fraud

B. The engagement team should be composed of certified accountants who are proficient In financial statement analysis and local accounting principles

C. To preserve independence and objectivity, an auditor who worked for the vendor two years prior

may not participate on the engagement team

D. The engagement team may include an auditor who lacks knowledge of the industry in which the vendor operates

Answer: A

Question: 129

When me internal audit activity does not have sufficient time to complete its usual root cause analysis which c4 the following is most appropriate?

A. The chief audit executive may recommend that management conduct further work to identify the root cause and address the issue

B. Internal auditors should finish the engagement without conducting the root cause analysis and draft the audit report, though the report would not be considered complete until the analysis is concluded

C. internal auditors must adjust their future engagement schedule to ensure that the root cause analysis is always performed before the engagement is concluded

D. Internal auditors should Instead perform a Pareto rule analysis

Answer: A

Question: 130

To effectively communicate the acceptance of risk in an organization a chief audit executive must first consider which of the following?

A. The organization's view on risk tolerance
B. The organization's principal risk events.
C. The organization's risk response strategies
D. The organization's major control activities

Answer: A

Question: 131

In which of the following situations would an internal auditor consider the need to outsource competencies and skills9

A. During the inspection of a wind turbine. an internal auditor notices that some replaced parts took

used According to purchase documents, the parts still have a long lifespan.
B. The auditor believes that the audit client's actions contradict the organization's code of conduct The audit client disagrees and says his actions are for the organization's benefit
C. An audit team member is allocated to conduct an assurance engagement m the sales unit. However, the same auditor performed an assurance engagement in that area just one year prior
D. During an inventory count, the auditor ascertained that some goods were missing. The audit client argues that the auditor does not understand how inventory should be counted

Answer: A

Question: 132

Which of the following is the most important determinant of the objectives and scope of assurance engagements?

A. The organizational chart, business objectives and policies and procedures of the area to be reviewed.
B. The most recent risk assessment conducted by management of the area to be reviewed.
C. The requests of operational and senior management throughout the organization.
D. The preliminary risk assessment performed by internal auditors planning the engagement

Answer: D

Question: 133

Which of The following best describes a risk that is deemed "unacceptable" to the organization?

A. A risk where likelihood and impact are high
B. A risk where inherent risk exceeds its residual risk
C. A risk where inherent risk exceeds the tolerance level
D. A risk where residual risk exceeds the tolerance level

Answer: D

Question: 134

An organization has a mature control environment but limited internal audit resources Given this scenario, on which of the following should the internal auditors focus their testing?

A. Detective compensating controls

B. Preventive compensating controls
C. Detective Key controls
D. Preventive key controls

Answer: D

Question: 135

What is the primary purpose of creating a preliminary draft audit report?

A. To save time during final report writing
B. To meet the Standards requirement for developing a draft report prior to issuing a final report
C. To use as a tool for communicating with management of the area under review.
D. To require that management implements solutions to issues identified during the engagement

Answer: C

Question: 136

A newly appointed chief audit executive (CAE) of a small organization is developing a resource management plan Which of the following approaches would be most beneficial to help the CAE obtain details of the Internal audit activity's collective knowledge skills, and other competencies?

A. Review or establish a documented skills assessment of the internal audit staff and gather information from post-audit surveys

B. Obtain from the human resources department the job descriptions and position requirements for all internal audit staff

C. Conduct an objective written test of the internal audit staff to assess their knowledge and skills related to core internal audit competencies

D. Request the internal audit staff to submit a document that summarizes their most recent performance appraisals and post audit reviews

Answer: A

Question: 137

The engagement supervisor would like lo change the audit program's scope poor to beginning fieldwork According to IIA guidance before any change is implemented what is the most important action that should be undertaken?

A. Document in the engagement workpapers the rationale for changing the scope.
B. Confirm that the scope change would align to the organization's objectives and goals
C. Confirm that the internal audit activity continues to have the necessary knowledge and skills
D. Seek approval from the chief audit executive for the proposed scope change

Answer: D

Question: 138

An internal auditor suspects that employee turnover is unusually high at the organization's primary manufacturing plant To investigate this potential issue which of the following analytical approaches is the auditor likely to use?

A. Ratio analysis
B. Vertical analysis
C. Benchmarking
D. Cost-benefit analysis.

Answer: C

Question: 139

Which of The following best justifies an internal auditor's decision to issue a preliminary audit report?

A. The internal audit team and audit client have a serious dispute over the scope and objective of the engagement

B. The internal audit team expects management to address certain issues immediately due to their severe impact

C. The internal audit team anticipates that the formal final audit report would be undesirable for management due to the significance of outlined risks

D. The internal audit team would like to issue a clean final audit report without any material observations or risks

Answer: B

Question: 140

Which of the following should be the focus of the effect section of the preliminary observations document?

A. Residual risk
B. Inherent risk
C. Compensating controls
D. Control activities

Answer: A

Question: 141

An internal auditor is assigned to validate calculations on the organization's building application As pad of the test the internal auditor is required to use an automated audit tool to simulate transactions for testing. Which of the following would most appropriately be used for this purpose?

A. Generalized audit software.
B. Utility software
C. integrated test facilities
D. Audit expert systems

Answer: A

Question: 142

Which of the following statements about assurance maps is correct?

A. An assurance map is used by the chief audit executive to coordinate assurance activities with other internal and external assurance providers

B. An assurance map is a picture of all assurance engagements performed by the internal audit activity across the organization

C. An assurance map is used by the engagement supervisor to coordinate the roles of various internal audit team members assigned to assurance engagements

D. An assurance map lists the procedures and testing activities performed by an internal audit team during an assurance engagement

Answer: A

Question: 143

The chief audit executive (CAE) for a manufacturing company included in this year s audit plan a review of the company's laboratory, using an experienced external service provider. The audit plan

was approved by the audit committee without any changes At the time of engaging the external service provider, the CAE also secured the approval from the CEO. Who is responsible for ensuring that the conclusions reached for this exercise are adequately supported7

A. Audit committee

B. CEO

C. CAE.

D. External service provider

Answer: C

Question: 144

Which of the following is most likely to be judged as a significant residual risk that would exceed the organization's acceptable risk level?

A. Any risk involving organizational expansion into a new geographical area with an unstable political environment.

B. Any risk involving investments into bitcoin and suspicious derivatives

C. Any risk that can cause material or financial loss

D. Any risk that could cause injuries or pollute the environment

Answer: D

Question: 145

An internal auditor is testing the success of the IT support department in meeting the service levels guaranteed to small, medium and large customers. The customer's size classification is based on its annual expenditures with the organization and the nature and extent of services it receives. Which of the following sampling techniques would be the most suitable to select customers for this test?

A. Interval sampling
B. Cluster sampling
C. Stop-and-go sampling
D. Stratified sampling

Answer: D

Question: 146

An audit observation noted that annual inventory counts of biofuel was not being performed appropriately Fuel yards were not visited and physical amounts of biofuel were not reconciled with accounting data Management of the division understood the issue and promised to resolve the problem When should the internal auditor schedule a follow-up review?

A. As soon as possible, no later than two months after the audit
B. When convenient for both parties
C. When management has indicated that the issue has been resolved
D. Before financial year end

Answer: A

Question: 147

A chief audit executive (CAE) is trying to balance the internal audit activity's needs for technical audit skills budget efficiency and staff development opportunities. Which of the following would best assist the CAE in achieving this balance1?

A. Strategic sourcing
B. Loan staff arrangement
C. Flat organizational structure
D. Hierarchical organizational structure

Answer: A

Question: 148

An internal auditor receives a document displaying all the steps of a process and the path taken as transactions flow between each step of the process How is the internal auditor most likely to use This document during the engagement?

A. To perform an assessment of the adequacy of process controls.
B. To perform an assessment of the effectiveness of process controls
C. To perform a detailed assessment of process risks
D. To perform an assessment of the sufficiency of residual process risks.

Answer: B

Question: 149

An internal auditor is asked to review a recently completed renovation to a retail outlet. Which of the following would provide the most reliable evidence that the completed work conformed to the plan?

A. An interview with the employee who performed the work
B. An analysis of purchasing and receiving documentation
C. Existence of a signed completion document accepting the work
D. A physical inspection of the retail outlet.

Answer: D

Question: 150

When addressing the excessive overtime being paid lo employees in an organization's customer service call center, which of the following would be most relevant for the internal auditor to use? 1 Confirmation.
2. Trend analysis.
3. External benchmarking
4. Internal benchmarking

A. 1.2 and 3
B. 1.2. and 4.
C. 1.3. and 4.
D. 2. 3. and 4.

Answer: D

Question: 151

The chief audit executive can illustrate the value of the internal audit activity by reporting which of the following to the board?

A. The overall performance resulting from the internal audit balanced scorecard
B. The number of outstanding and overdue management actions

C. The experience of the organization's internal auditors

D. The number of audits in the annual audit plan relative to similar organizations

Answer: A

Question: 152

Management has taken immediate action to address an observation received during an audit of the organization's manufacturing process Which of the following is true regarding the validity of the observation closure?

A. Valid closure requires evidence that ensures the corrected process will function as expected in the future

B. Valid closure requires the client lo address not only the condition, but also the cause of the condition

C. Valid closure of an observation ensures it will be included in the final engagement report

D. Valid closure requires assurance from management that the original problem will not recur in the future

Answer: A

Question: 153

In a health care organization the internal audit activity provides overall assurance on governance, risk and control The chief audit executive advises and influences senior management, and the audit strategy leverages the organization's management of risk According to HA guidance which of the following stages of internal audit maturity best describes this organization?

A. Infrastructure.

B. Emerging.

C. Managed.

D. Initial.

Answer: C

Question: 154

An internal auditor conducted interviews with several employees, documented the interviews analyzed the summaries, and drew a number of conclusions. What sort of audit evidence has the internal auditor primarily obtained?

A. Documentary evidence

B. Testimonial evidence

C. Analytical evidence

D. Physical evidence

Answer: B

Question: 155

Which of the following situations is most critical for the chief audit executive to report to the board?

A. The chief audit executive disagreed with the business unit manager's initial decision to accept a particular risk Management ultimately agreed to address the risk only after discussing the issue with senior management.

B. The internal audit activity was restructured, which resulted in a significant change in responsibilities among audit managers and supervisors for some audits

C. A staff internal auditor had difficulties completing a portion of the audit because management of the area under review was unwilling to cooperate and provide information timely.

D. The resignation of an internal audit manager during the year caused the chief audit executive to defer a number of audit engagements to the following year.

Answer: A

Question: 156

Which of the following statements regarding the risk management process' support of the internal audit activity is true?

A. The risk management process can provide more extensive internal audit services to the organization if it does not have an internal audit department

B. The risk management process supports internal audit by evaluating whether critical controls are adequate and effective.

C. The risk management process can determine whether all significant risks have been identified and are being treated.

D. The risk management process establishes an organization-specific documented risk management framework.

Answer: B

Question: 157

An internal auditor observes a double payment transaction on a supplier invoice during an accounts payable engagement. Which of the following steps would be the most effective in helping the auditor determine whether fraud exists?

A. Switch the existing assurance engagement into a fraud investigation engagement

B. Extend the audit scope and perform additional testing of controls on other related areas

C. Review the poor year's transaction volume and amounts paid compared to the poor year's budget D. Perform data analytics on the supplier's information, invoiced amounts, and payments performed

Answer: D

Question: 158

The final engagement communication contains the following observation:
The internal auditor discovered that three of the 10 contracts reviewed failed to meet the organization's competitive bidding requirements Management explained that senior management deemed these purchases to be critical and awarded them as sole-source."
Which of the following components is missing in the documentation of the observation?

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

Answer: B

Question: 159

According to HA guidance, the chief audit executive is directly responsible for which of the following?

A. Maintaining a quality assurance program even in the absence of management support
B. Periodically reviewing and approving the internal audit charier
C. Providing opportunities for all staff auditors to satisfy their professional development requirements
D. Establishing the objectives scope and plan for each engagement

Answer: D

Question: 160

A corporate merger decision prompts the chief audit executive (CAE) lo propose interim changes to the existing annual audit plan to account for emerging risks Which of the following is the most appropriate action for the CAE to take regarding the changes made to the audit plan''

A. Present the revised audit plan directly to the board for approval.
B. Communicate with the chief financial officer and present the revised audit plan to the CEO tor approval
C. Present the revised audit plan directly to the CEO for approval
D. Communicate with the CEO and present the revised audit plan to the board for approval.

Answer: D

Question: 161

Which of the following is the primary reason for internal auditors to conduct interim communications with management of the area under review?

A. To demonstrate good project oversight
B. To provide timely discussion of results
C. To demonstrate internal auditor proficiency
D. To follow up on previously requested information

Answer: B

Question: 162

An internal auditor tested whether purchase orders were supported by appropriately approved purchase requisitions She sampled a population of purchase documents and identified instances where purchase requisitions were missing However, she did not notice that n some cases purchase requisitions were approved by an unauthorized person Which of the following risks most appropriately describes this situation?

A. Nonsampling risk
B. Sampling risk
C. Inherent risk
D. Due diligence risk

Answer: A

Question: 163

Which of the following sampling techniques is typically used when an internal auditor wants to test a large sample for fraud?

A. Stratified sampling
B. Haphazard sampling
C. Discovery sampling
D. Probability-proportional-to-size sampling

Answer: C

Question: 164

Which of the following describes (he primary reason why a preliminary risk assessment is conducted during engagement planning?

A. To identify the greatest risks organizationwide
B. To ensure that the engagement work program covers all risk areas
C. To ensure that risks identified during previous audits of the area have been adequately addressed
D. To ensure that significant risks are included in the engagement scope

Answer: D

Question: 165

Senior management requested that the internal audit activity perform a consulting project to assist in making a decision on a new software system. Which of the following would be used to determine the engagement objectives?

A. An assessment of risks to the business objectives
B. An understanding of the engagement client's expectations
C. The probability of significant errors fraud or noncompliance
D. Criteria previously established by the board

Answer: B

Question: 166

Which of the following is true about surveys?

A. A survey with open-ended questions is weaker than a structured interview
B. A survey with closed-ended questions can produce quantifiable evidence
C. A survey's participants are likely to volunteer information that was not specifically requested
D. A survey, like inspections and confirmations are best used to test the operating effectiveness of controls

Answer: B

Question: 167

According to IIA guidance, which of the following reflects a valid principle for the internal audit activity to rely on the work of internal or external assurance providers?

A. Elements of evaluation
B. Elements of organization
C. Elements of practice
D. Elements of confidentiality

Answer: A

Question: 168

Which method of examining entity-level controls involves gathering information from work groups that represent different levels in an organization?

A. Questionnaires.
B. Surveys.
C. Structured interviews
D. Facilitated team workshops

Answer: D

Question: 169

During a consulting engagement an internal auditor wants to determine whether all principal stakeholders are involved in a project. Which tool should the auditor use?

A. RACI (responsible, accountable, consult and inform) chart
B. Flowchart
C. SWOT{strengths. weaknesses opportunities, and threats) analysis
D. Workflow analysis

Answer: A

Question: 170

During the filework phase of an assurance engagement the internal auditor decides that she wants to

adjust the audit work program. Which of the following is the most appropriate next step for the auditor to take9

A. Request additional information needed from management of the area under review.

B. Obtain approval from the engagement supervisor
C. Obtain the required resources, including IT. to complete the work
D. Discuss the change in scope with management of the area under review.

Answer: B

Question: 171

After concluding a preliminary assessment, the engagement supervisor prepared a draft work program According to HA guidance which of the following would be tested by this program?

A. The process objectives.
B. The process risks
C. The process controls
D. The process scope

Answer: C

Question: 172

Which of the following should management action plans include at a minimum?

A. An implementer for the action plan
B. An owner of the action plan
C. The internal auditor's next review date of the action plan
D. Detailed procedures for the action plan

Answer: B

Question: 173

An internal auditor completed a review of expenses related to the launch of a new project. The auditor sampled 45 transactions approved by a senior project manager and identified 30 with questionable vendor documentation. Which of the following is the most appropriate conclusion for the auditor to include in the audit report?

A. The organization incurred excessive cost overruns that resulted in significant financial and legal risk to the project.
B. The organization experienced a potential conflict of interest
C. The organization had weaknesses in its review process which allowed questionable transactions with some vendors
D. The organization allowed the project to launch without assurance that all transactions were regularly approved

Answer: C

Question: 174

An internal auditor s examination of accounts receivable generates the following results:

	Accounts	Book Value	Projected / Actual Misstatement
Population	5 000	$20,000,000	?
Sample	1 000	$12,000,000	$420,000

What is the projected misstatement for the population if ratio estimation is used?

A. $84,000
B. $238,095
C. $700,000
D. $2100.000

Answer: D

Question: 175

An organization s inventory is stored m multiple warehouses. During an inventory audit which of the following activities would most benefit from the use of computerized audit tools?

A. Verifying the existence of inventory items in each warehouse
B. Assigning the tolerable deviation rate to determine the sample size
C. Valuating the obsolete Inventory from all the warehouse locations
D. Confirming that the purchased items are recorded In the correct period

Answer: C

Question: 176

An organization's finance manager plans to implement a state-of-the-art management system to better manage the organization's receivables. The finance manager consulted the chief audit executive (CAE) and asked for her assistance in determining whether the organization is able to accommodate this system. How would the CAE proceed to determine the objectives of this engagement

A. Ask the CEO to determine the scope and objectives of the engagement
B. Request that the board disclose its concerns over governance for inclusion in the engagement C. Discuss the concerns with the finance manager and work together to agree on the engagement objectives
D. Review previous audit reports from the area and develop engagement objectives to address the area's key risks and controls

Answer: C

Question: 177

Which of the following is a primary reason for an internal auditor to use a risk and control questionnaire when auditing financial processes?

A. To gain an understanding of the control environment
B. To collect as much financial data as possible before engagement fieldwork begins.
C. To test the effectiveness of financial controls in an efficient and relatively inexpensive way
D. To facilitate the quantification of financial data obtained

Answer: A

Question: 178

Which of the following statements is true regarding engagement planning?

A. The engagement objectives are the boundaries for the engagement, which outline what will be included in the review
B. The risk-based objectives of the engagement can be determined once the scope of the engagement has been formed
C. For a consulting engagement, planning typically occurs after the engagement objectives and scope have already been determined
D. For an assurance engagement, once the scope is established and testing has begun, the scope cannot be modified.

Answer: C

Question: 179

Management testimony of improper segregation of duties in the cash receipt process can be considered which of the following?

A. Analytical
B. Reliable
C. Relevant
D. Sufficient

Answer: C

Question: 180

Which of the following actions best describes an internal auditor's use of test data to determine whether an organization's new accounts payable system avoids processing questionable invoices for payment?

A. Creating an automated tool that monitors the computer program on a daily basis for potential issues that need corrective actions.

B. Using an automated system that assists internal auditors with automating the risk analysis of the computer program for invoicing

C. Embedding tools in the computer program to analyze the review processes of invoices for potential issues that may hamper payments

D. Adding invoices to the computer program to assess the reliability and effectiveness of the review process and whether controls work.

Answer: D

Question: 181

A toy manufacturer receives certain components from an overseas supplier and uses them to assemble final products Recently quality reviews have identified numerous issues regarding the components' compliance with mandatory quality standards. Which type of engagement would be most appropriate to assess the root causes of the quality issues?

A. A risk assessment

B. An operational audit

C. A third-party audit

D. A fraud investigation

Answer: B

Question: 182

The internal auditors available to perform the engagement do not have sufficient skills related to the area under review. Which of the following iss an appropriate action for the chief audit executive to take?

A. Continue the engagement with the available staff, providing more hands-on supervision than usual

B. Limit the objectives and scope of the engagement to align them with the skills available among the current staff.

C. Cosource the performance of the engagement using personnel in the area that will be reviewed to supplement the knowledge of the staff and complete the engagement

D. Supplement the internal auditors assigned to the engagement by bringing onto the engagement team a consultant who is independent of the area under review and has the missing expertise

Answer: D

Question: 183

Prior to performing testing an internal auditor has determined that a primary process control failed due to design weakness. Which of the following actions should the auditor perform next?

A. Determine whether there are any compensating controls in place to reduce the nsk to an acceptable level, and discuss this matter with management of the business area to determine which corrective action is needed

B. Test the control anyway to determine the likelihood that the control was not performed property, and discuss this matter with management of the business area to determine which corrective action is needed

C. Conclude that the process control environment is weak, issue a finding on this conclusion and report this finding to management of the business area

D. Confer with a second internal auditor to determine whether the control failure is legitimate issue a finding on this conclusion and report this finding to management of the business area

Answer: A

Question: 184

An internal auditor was reviewing the procurement department's tender documentation for

completeness He documented all discrepancies but the procurement manager disagreed with his findings Upon further review, the internal auditor noted that all discrepancies had been corrected in the tender database. Which of the following courses of action would have prevented this situation?

A. The auditor should have ensured the preservation of audit evidence by taking screenshots or extracting tender documents

B. The auditor should have extracted a list of logs and identified any actions that were executed in the database during the audit

C. The auditor should have instructed procurement workers that changes to the database during the course of the audit were strictly forbidden

D. The internal auditor should have created a more thorough work program, which would address audit criteria and potential causes in more detail

Answer: A

Question: 185

An organization buys crude oil on the open market and refines it into a high-quality gasoline. The price of crude oil is extremely volatile. Which of the following is the most appropriate risk management technique to protect the organization against these price fluctuations?

A. Enter into long-term gasoline purchase agreements with end customers.
B. Trade crude oil derivatives at financial markets in order to benefit from price fluctuations
C. Purchase crude oil-related derivatives such as futures or options
D. Stock as much raw materials as possible and consider Investing into additional facilities

Answer: C

Question: 186

In an organization with a large internal audit activity that has several audit teams performing engagements simultaneously which of the following tasks is an engagement supervisor most likely to perform during the planning phase of a new engagement?

A. Establish a means for resolving any professional judgment differences over ethical issues that may arise during the engagement.
B. Approve the engagement work program to ensure the program is designed to achieve the engagement objectives
C. Evaluate whether the testing and results support the engagement results and conclusion
D. Review the sample testing results for exceptions.

Answer: B

Question: 187

According to MA guidance, which of the following factors should an internal auditor consider when assessing the likelihood of fraud risk1?

A. The effect on the organization's reputation
B. Any potential damage to the organization's relationship with customers.
C. Past fraud allegations and actual occurrences
D. The potential and realized financial impacts

Answer: C

Question: 188

The internal audit activity has adopted the balanced scorecard approach to assess its performance According to MA guidance which of the following is a key performance indicator relevant to the audit client?

A. Percentage of recommendations implemented by corrective action date
B. Staff experience
C. Percentage of planned audits completed
D. Conformance with the International Professional Practices Framework

Answer: A

Question: 189

Which of the following statements is true regarding internal auditors and other assurance providers?

A. Assurance providers who report to management and/or are part of management cannot provide control serf-assessments services
B. Internal auditors should always reperform and validate audit work completed by external assurance providers
C. Internal auditors may rely on the work of internal compliance teams to expand their coverage of the organization without increasing direct audit
D. hours Internal auditors can rely on the work of other assurance providers only rf the other assurance providers report directly to the board

Answer: C

Question: 190

Some lime after the final audit report was issued, the engagement supervisor teamed that several internal control deficiencies were not remedied, despite management's previous agreement to remedy them According to IIA guidance, which of the following is the most appropriate response'5

A. The engagement supervisor must notify the chief audit executive (CAE) that the deficiencies have not been rectified
B. The engagement supervisor should rely on professional judgment as to whether the CAE should be informed, or the management action plan should be adjusted
C. The engagement supervisor should rely on his negotiation skills and issue an ultimatum to management to remedy the control deficiencies
D. Ensure that these deficiencies are captured in the documentation as high-priority areas to be reviewed during the next audit.

Answer: A

Question: 191

The chief audit executive (CAE) should determine whether the internal audit activity has confirmed the status of all of management's corrective actions Doing so would help the CAE assess which of the following?

A. Disclosure risk.
B. Residual risk
C. Compliance risk
D. Inherent risk

Answer: B

Question: 192

An internal audit activity is planning its first audit of IT shared services. Which of the following controls would typically be evaluated first?

A. Entity-level controls
B. Application controls C. General controls.
D. Transaction controls

Answer: A

Question: 193

To which of the following aspects should the chief audit executive give the most consideration while communicating an identified unacceptable risk to management?

A. The organization's attitude to hierarchy
B. The organization's whistleblowing strategy
C. The organization's ongoing risk monitoring process
D. The organization's risk management policy

Answer: D

Question: 194

Which of the following statements is true regarding the use of internal control questionnaires (ICOs)?

A. ICQs are efficient because they minimize the need for follow-up with survey respondents
B. Controls with positive survey responses can be eliminated from further testing
C. Answers to survey questions can be easily misinterpreted
D. ICQs offer limited value for organizations with uniform procedures

Answer: C

Question: 195

The internal audit manager has been delegated the task of preparing the annual internal audit plan for the forthcoming fiscal year All engagements should be appropriately categorized and presented to the chief audit executive for review Which of the following would most likely be classified as a consulting engagement?

A. Evaluating procurement department process effectiveness
B. Helping in the design of the risk management program
C. Assessing financial reporting control adequacy
D. Reviewing environmental, social, and governance reporting compliance

Answer: B

Question: 196

Which of the following is one of the five basic tnanoal statement assertions when an internal auditor evaluates controls over financial reporting?

A. Reliability or appropriateness
B. Reasonableness
C. Existence or occurrence
D. Relevance

Answer: C

Question: 197

According to HA guidance, which of the following is the Key planning step internal auditors should perform to establish appropriate engagement objectives prior to starting an audit engagement?

A. Review the organizational structure, management roles and responsibilities and operating procedures
B. Evaluate management's risk assessment and the internal audit activity's risk assessment
C. Assess process How and control documents used to meet regulatory requirements
D. Review meeting notes from discussions involving management of the area to be reviewed.

Answer: B

Question: 198

At a construction company, an internal auditor is planning an audit of the company's process for designing and building grid connections The process involves customers making payments m three parts

- The first payment of 10% after approval of the customer s application
- The second payment of 70% prior to construction
- The third payment of 20% after construction is complete

Which of the following key controls should the auditor test to ensure that the company is not taking any unwanted credit risks?

A. Controls that ensure that grid connection design is finalized before construction is approved to begin
B. Controls that ensure construction orders are initiated after the second invoice is paid
C. Controls that ensure all three invoices are calculated correctly according to the total project cost
D. Controls that ensure that applications are verified for approval prior to initiating design and construction

Answer: B

Question: 199

As part of the preliminary survey, an internal auditor sent an internal control questionnaire to the accounts payable function Based on the questionnaire responses, the auditor determines that there is no established procedure for adding and approving new vendors. What would the auditor do next?

A. Determine that this situation is acceptable and focus on more significant issues
B. Document the issue m the draft audit report
C. Document the observation for further follow up when testing the operating effectiveness of controls
D. Interview the personnel associated with this observation.

Answer: D

Question: 200

What is the primary purpose of issuing a preliminary communication to management of the area under review?

A. To build good relations with management
B. To help management develop more responsive and timely action plans
C. To formally report medium- and high-risk observations in writing
D. To improve the internal audit key performance indicators

Answer: B

Question: 201

An internal auditor for a regional bank suspects that the head of commercial lending has been granting loans without the required collateral Which of the following sampling techniques will be most effective for investigating the auditor's suspicion?

A. Variables sampling
B. Dollar-unit sampling
C. Judgmental sampling
D. Discovery sampling

Answer: D

Question: 202

Which of the following statements is true regarding internal control questionnaires?

A. Internal control questionnaires are useful m evaluating the effectiveness of standard operating procedures
B. internal control questionnaires provide reliable documents allowing internal auditors to cover many control procedures in little time
C. Internal control questionnaires can be used by internal auditors as an interview guide
D. Internal control questionnaires provide direct audit evidence which may need corroboration

Answer: C

Question: 203

According to HA guidance, which of the following statements regarding audit workpapers is true?

A. Audit reports should include the workpapers as a reference for the audit conclusions.
B. The internal auditor's workpapers are the primary reference for reported control deficiencies.
C. Ad-hoc communications with management of the area under review should be excluded from the workpapers.
D. Both draft and final versions of workpapers should be saved at the end of the engagement

Answer: B

Question: 204

Which of the following are advantages of flowcharts over internal control questionnaires''

1 Flowcharts reduce the need to test whether employees are observing internal control processes

2 Flowcharts provide a visual depiction of the processes in the area under review 3. Flowcharts identify and prioritize internal control design weaknesses.

4 Flowcharts highlight the control points to help internal auditors evaluate control design

A. 1 and 3 only
B. 2 and 4 only.
C. 1.2. and 3 only
D. 2. 3 and 4 only

Answer: B

Question: 205

Which of the following statements about including consulting engagements in the annual internal audit plan is true?

A. All requests for consulting engagements must be included in the annual internal audit plan
B. Assurance engagements must be included in the annual internal audit plan but there is no requirement to include consulting engagements
C. Consulting engagements do not need to be included m the annual internal audit plan unless requested by the board
D. The acceptance of proposed consulting engagements into the annual internal audit plan may depend on their ability to add value

Answer: D

Question: 206

An internal auditor is conducting an initial risk assessment of an audit area and wants to assess management's compliance with privacy laws for safeguarding customer information stored on the organization's servers. Which course of action is appropriate for this phase of the engagement?

A. Solicit the services of a specialist information systems auditor
B. Obtain the most current approved copies of the organization's privacy policy
C. Consult with legal counsel about new privacy laws to establish appropriate criteria
D. Consider the detection risk of noncompliance with the laws

Answer: B

Question: 207

An internal auditor is asked to determine why the production line for a large manufacturing organization has been experiencing shutdowns due to unavailable pacts The auditor learns that production data used for generating automatic purchases via electronic interchange is collected on personal computers connected by a local area network (LAN) Purchases are made from authorized vendors based on both the production plans for the next month and an authorized materials requirements plan (MRP) that identifies the parts needed per unit of production The auditor suspects the shutdowns are occurring because purchasing requirements have not been updated for changes in production techniques. Which of the following audit procedures should be used to test the auditor's

theory?

A. Compare purchase orders generated from test data input into the LAN with purchase orders generated from production data for the most recent period
B. Develop a report of excess inventory and compare the inventory with current production volume C. Compare the pans needed based on current production estimates and the MRP for the revised production techniques with the purchase orders generated from the system for the same period D. Select a sample of production estimates and MRPs for several periods and trace them into the system to determine that input is accurate

Answer: C

Question: 208

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Answer: C

Question: 209

An internal auditor uses a data query tool in the purchasing process to review the vendor master file for authorizations Which of the following describes the control objective likely being tested?

A. Effectiveness
B. Response
C. Efficiency
D. Mitigation.

Answer: A

Question: 210

Which of the following statements is true regarding the final assurance engagement report issued to management?

A. Ratings are only used to assess the condition of an observation made by an internal auditor.
B. Audit findings may be communicated to management prior to issuance of the final approved audit report.
C. Communications must be relevant logical, and free from errors before they are disseminated.
D. The audit report must present the information in the following order (1) audit scope, (2) engagement objectives, and (3) engagement results

Answer: C

Question: 211

An internal auditor collected several employee testimonials Which of the following is the best action for the internal auditor to take before drawing a conclusion?

A. Ensure the testimonials are well documented

B. Substantiate the testimonials with physical or documentary evidence

C. Corroborate testimonials with the results from other soft control techniques

D. Review the testimonials with the interviewed employees

Answer: B

Question: 212

Which of the following statements concerning workpapers is the most accurate?

A. The organization and the format of workpapers is the same for all engagements

B. The extent of what is included in workpapers is a matter of professional judgment

C. Workpapers should be complete so that every conceivable question that can be raised should be answered

D. Copies of operational managements records should not be included, but referenced so that they can be located

Answer: B

Question: 213

Which of the following reasonably represents best practices regarding what should be the level of internal audit resource investment in monitoring and following up on engagement outcomes?

A. Limited resources should be employed since the actual engagement is already completed and the onus of corrective actions rests with management

B. No resources should be exclusively deployed for that at all rather it should be planned as part of future engagements in the same area

C. Resources should only be provided towards this if doing so does not result in depletion of resources for new engagements planned in the current period

D. Resources should be allocated to this without conditions as long as doing so meets the expectations of management and the judgment of the chief audit executive.

Answer: D

Question: 214

An internal audit manager is planning a contract compliance audit Which of the following should be done prior to developing the audit work program?

A. Select a sample of invoices for substantive testing

B. Review the contract for evidence of authorization

C. Document underlying reasons for noncompliance
D. Assess the inherent risk of paying duplicate invoices

Answer: B

Question: 215

Which of the following best describes how an internal auditor would use a flowchart during engagement planning?

A. To prepare for testing the effectiveness of controls
B. To plan for evaluating potential losses
C. To prepare a sampling plan for the engagement
D. To evaluate the design of controls

Answer: D

Question: 216

A chief audit executive (CAE) reviews the supervision of an internal audit engagement Which of the following would most likely assure the CAE that the engagement had adequate supervision?

A. The engagement supervisor has an open door pokey for audit team members to discuss concerns
B. The supervisor reviews weekly progress reports from the audit team members
C. The supervisor reviews and initials internal audit workpapers for the engagement
D. The supervisor meets periodically with management in the reviewed area to get feedback during the engagement.

Answer: C

Question: 217

Which of the following would present the most critical external risk to an organization?

A. The organization experiences a merger, and the management team is reorganized and redistributed globally
B. The organization launches a product into new global markets
C. After minimal testing, the organization implements a new system to replace a legacy system
D. Regulators announce broad legislative reforms applicable to the industry within which the organization operates

Answer: D

Question: 218

Which of the following computerized audit tools or techniques should be used if the internal auditor wants to extract specific files and records in the database?

A. An expert or decision support system
B. Generalized audit software
C. A system utility program
D. An integrated test facility

Answer: B

Question: 219

In which of the following situations would an internal control questionnaire best suit the internal auditor's purpose?

A. The auditor wants to receive mid-level management insight on how to improve hiring practices B. The auditor wants to obtain information on whether adherence to approval matrices is actually taking place in different maintenance units.
C. The auditor wants to gain assurance that inventory counts are conducted in accordance with established procedures.
D. The auditor wants to assess whether different subsidiaries apply centrally established procurement rules in the same manner

Answer: B

Question: 220

Which of the following is a disadvantage of using flowcharts during a risk assessment?

A. People cannot quickly understand the processes via flowcharts
B. Flowcharts are not applicable for evaluating the design of controls
C. Some serious risks that are not part of the linear process can be missed
D. Flowcharts do not enable auditors to identify missing controls

Answer: C

Question: 221

While planning for an accounts payable audit an internal auditor performs an entity level controls analysis. Which of the following statements is true regarding me approach used by the auditor?

A. It enables the auditor to identify the inherent risks to the effective operation of accounts payable process controls.
B. It enables the auditor to understand the framework of the activities and associated accounts payable subprocesses
C. it enables the auditor to understand the accounts payable process and its flow, including key steps and systems.
D. It enables the auditor to categorize the population of transactions within the accounts payable process

Answer: B

Question: 222

The chief audit executive was asked to define me internal audit activity s key performance indicators (KPIs) tor the upcoming year. The KPIs must measure efficiency and effectiveness. Which of the following is an example of a KPI that measures effectiveness?

A. Internal audit reports are consistently submitted prior to the audit report deadline
B. Post engagement surveys completed by management indicate a "meets or exceeds expectations" idling
C. There is a significant reduction of travel costs per project over the next fiscal year
D. Internal auditors identify a minimum number of issues and provide recommendations to address them for each audit

Answer: B

Question: 223

An internal auditor was assigned to review controls in the accounts payable function. Most of tie accounts payable processes are performed by a third-party service provider. The auditor included in the audit report a number of control deficiencies involving processes performed by the service provider. The service provider requested a copy of the report Which of Vie following would be the most appropriate response from the chief audit executive (CAE)?

A. The CAE would automatically sand a copy of the report to the service provider as many of the findings relate to Via area managed by the service provider
B. The CAE may distribute the report to tie service provider at no cost, after consulting with legal counsel and tie chief compliance officer
C. The CAE may provide a copy of the audit report to the service provider If an agreement & signed and the service

provider agrees to reimburse the cost of the auditD, The CAE should benchmark with other organization in the industry by consorting with colleagues and distribute the report only I it is an acceptable practice m the industry

Answer: B

Question: 224

As a result of server managements assumption of risk there is residual risk that exceeds me organisation's risk appetite. Which of the following actions would be most appropriate for the chief audit executive to take?

A. ignore the responsibility of addressing the residual risk B. Assume the responsibility of addressing the residual risk C. Ensure senior management acknowledges residual risk D. Communicate with the board the issue of residual risk

Answer: D

Question: 225

An internal auditor at a bank informed the branch manager of a malfunctioning lock on one of the vaults. The risk associated with this issue was deemed significant by the chief audit executive (CAE), and immediate remediation was recommended However during a follow-up engagement the branch manager told the CAE that the risk was actually not significant, hence no action was taken. What is the most appropriate next step for the CAE?

A. Inform senior management that the branch manager deeded to cancel the committed action plan without any previous communication

B. Discuss the issue with the board which has ultimate responsibility to resolve the risk

C. Have another discussion with the branch manager attempt to change his view, and encourage him to movement the recommendations

D. Document the branch manager's decision to accept the risk otherwise, no other speak: course of action is required.

Answer: B

Question: 226

In which of the following ways can the internal audit activity new engagement opportunities?

A. By defining activities by business processes.
B. By looking external factors such as product complaints.
C. By looking at activities by businesses cost centers.
D. By defining activities by the organization chart.

Answer: A

Question: 227

For an action plan to be effective, it should be designed primarily to address which of the following elements of an observation?

A. Condition
B. Root cause
C. Criteria
D. Recommendation

Answer: B

Question: 228

Which of the following statements is true regarding internal controls?

A. For assurance engagements internal auditors should plan to assess the effectiveness of all entitylevel controls
B. Poorly designed or deficient entity-level controls can prevent well-designed process controls from working as intended.
C. During engagement planning, internal auditors should not discuss the identified key risks and controls with management of the area under review to prevent tipping off probable audit lasts D. Reviewing process maps and flowcharts is an appropriate method for the internal a auditor to identify all key risks and controls during engagement planning

Answer: B

Question: 229

An engagement work program o of greatest value to audit management when which of the following is true?

A. The work program provides more detailed support for the audit report
B. The work program helps determined the required amount of audit resources
C. The work program helps ensure tie achievement of the engagement objectives
D. The work program assists the auditor n developing and managing audit tests

Answer: C

Question: 230

According to IIA guidance, which of re following actions should the internal auditor take immediately after having considered fraud scenarios and identified and prioritized fraud risks?

A. Determine which controls if any are in place to mitigate the fraud risks B. Follow protocol for internal reporting and investigating fraud allegations C. Research frauds that nave occurred t\ similar organizations
D. Incorporate the fraud risk assessment into the engagement plan

Answer: A

Question: 231

Which of the following approaches would best help an internal auditor determine whether a retailer database of 100,000 customers has nay duplicate accounts?

A. Stratifying the customer information
B. Extracting the customer information
C. Filtering the customer information
D. Sorting the customer information

Answer: D

Question: 232

An internal auditor developed a list of internal and external risk considerations across the organization's processes, developed a scale to assess each risk and allocated the relative importance of each risk. When of the following approaches did the auditor take?

A. Top-down approach
B. Process-Metrix approach
C. Risk-factor approach
D. Bottom up approach

Answer: C

Question: 233

A healthcare organization's chief audit executive (CAE) noted that the organization's IT team relies heavily on a vendor. Therefore an IT vendor assessment review was added to the annual audit plan. During the review, the audit team discovered that the vendor had not been performing proper monitoring to ensure that the subcontractors it hired comply with the organization requirements. The organization's chief information officer (ClO) does not agree with the audit team's

recommendation for the IT team to monitor the compliance level of vendor subcontractors. How should the audit team proceed to resolve this situation?

A. Write a risk acceptance memo for the CIO to sign acknowledging the observation and indicating a willingness to accept the risk.
B. Provide an example of the attestation form that vendors must use. Then, recommend that the IT team require vendors to submit the attestation form on a regular basis.
C. Escalate the issue to the audit committee, as the CIO is unwilling to implement the recommended action plan.
D. Escalate the issue to the CAE to assess whether the ClO's reasoning is acceptable.

Answer: C

Question: 234

When presenting an observation m writing which or the Mowing is usually true regarding the level of detail provided?

1. The description of the observation in the final audit report contains more detail then the description m the engagement workpapers
2. The description of the observation m the engagement workpapers contains more detail than the descriptor n a preliminary observation document
3. A preliminary observation document contains more detail than tie observation description in the final audit report
4. A preliminary observation document contains more detail than tie observation description in the engagement workpapers

A. 1 and 2
B. 1 and 4
C. 2 and3
D. 3 and 4

Answer: C

Question: 235

Which of the following attribute sampling methods would be most appropriate to use to measure the total misstatement posted to an accounts payable ledger?

A. Stop-or-go sampling
B. Probability to proportional size sampling
C. Classical variable sampling
D. Discovery sampling

Answer: B

Question: 236

Which of the following should be described in the recognition element of a typical internal audit repot?

A. Positive aspects of the process or area under review
B. A brief synopsis of the process of area under review
C. Outcomes and ratings of the process or area under review
D. Report issuance and the communication process of the engagement.

Answer: B

Question: 237

Which statistical sampling approach would an internal auditor typically utilize if she wishes to test for fraud and the expected deviation rate is very low?

A. Stratified sampling B. Attribute sampling C. Discovery sampling D. Haphazard sampling

Answer: C

Question: 238

Which of the following engagement supervision activities should be performed first?

A. Ensure that internal audit recommendations are practical, cost-effective, and value-added
B. Ensure that internal audit conclusions am based on sufficient and reliable evidence
C. Ensure that risks to the timely completion of the engagement are assessed
D. Ensure that performance assessments are completed for audit team members

Answer: C

Question: 239

Which of the following would most likely prompt special notification from the chief audit executive to same management?

A. Operational management has decried to weigh an audit issue against the organization's risk tolerance
B. A controls inaccurate operation has materially impacted the accuracy of the poor year's financial statements
C. Occurrences of asset misappropriation have been identified as a result of an ineffective operational control design
D. The controls that management performed to confirm compliance with health and safety standards were not systematically documented

Answer: B

Question: 240

According to the IIA guidance, which of the following foes the engagement work test in a review in a review of an organization al process?

A. Process objectives
B. Process risks
C. Process controls
D. Process scope

Answer: C

Question: 241

When a significant finding is noted early during a review of the accounts payable function, which next course of action is best for communicating the issue?

A. Intern accounting management via an interim memorandum update
B. Note the item in the workpapers for inclusion in the final audit report
C. Call a meeting and discuss me issue with the audit committee
D. Alert the CEO as soon as the issue is discovered

Answer: A

Question: 242

Which of the following manual audit approaches describes testing the validity of a document by following it backward to a previously prepared record?

A. Tracing
B. Reperformance
C. Vouching
D. Walkthrough

Answer: C

Question: 243

An internal auditor wants to compare performance information from one quarter to another. Which analytics procedure would the auditor use?

A. Ratio analysis
B. Trend analysis
C. Vertical analysis
D. Benchmarking analysis

Answer: B

Question: 244

An internal auditor wanted to determine whether the organization's 200 employees are charging their work hours accurately to the correct project. The internal auditor selected a sample of 30 employee time reports for testing. Based on the testing, the internal auditor determined the following:

- 5 Time reports were incorrect.
- 21 Time reports were correct.
- 4 Time reports were not supported.

A. The organization has significant flaws in its reporting of employee time, which could lead to the overstatement of project labor costs. The organization's failure to report accurate and complete employee time could lead to potential fraud and abuse.
B. The organization needs to ensure that all reporting of employee time is accurate and complete for each of its projects By dang so the organization can minimize potential issues related to overstating employee tames and labor project costs.

C. The organization overstated project costs due to inaccurate and incomplete reporting of employee time charged to the affected accounts As a result the organization cannot ensure at protects costs are accurately reported to stakeholders

D. The organization generally ensured that employee hours charged to each project were accurate

and complete. However, there were instances of employee time reports that were incorrect or not supported to justify the multiple project labor coats

Answer: D

Question: 245

The chief audit executive (CAF) determined that the residual risk identified in an assurance engagement is acceptable. When should this be communicated to senior management?

A. When the CAE reports the audit outcome to senior management.
B. When the residual risk is identified before the engagement is complete.
C. Immediately, as residual risk should be communicated as soon as possible
D. When management of the area under review has resolved and mitigated the residual risk

Answer: A

Question: 246

Which of the following information is most appropriate for the chief audit executive to share when coordinating audit plans with other internal and external assurance providers?

A. Objectives scope and timing at a high level to support coordination while adhering to confidentiality requirements
B. The area and timing of the audit engagement to ensure confidentially and avoid conflict of interest.
C. All plan information, including risk assessments, planned tests and past results to maximize the opportunity for coordination with internal and external providers.
D. No information should be shared with internal and external provider as it could introduce bias into the engagement results.

Answer: A

Question: 247

An internal auditor s testing tor proper authorization of contracts and finds that the rate of deviations discovered in the sample is equal to the tolerable deviation rate. When of the following is the most appropriate conclusion for the internal auditor to make based on this result?

A. The internal auditor concludes that management may be placing undue reliance on me specified control
B. The internal auditor concludes that the specified control is more effective than it really is.
C. The internal auditor concludes that the specified control is acceptably effective
D. The internal auditor concludes that additional testing will be required to evaluate the specified control

Answer: C

Question: 248

According to IIA guidance, which of the following would be considered necessary for a one-person audit function?

A. A formalized technical audit manual
B. A written administrative audit manual
C. A memorandum stating policies and procedures
D. A comprehensive policy and procedure manual

Answer: C

Question: 249

During the planning phase of an assurance engagement, an internal auditor seeks to gam an understanding of now when the area under review is accomplishing its objectives When of the Following information-gathering techniques is the auditor most likely to use?

A. A review of the key performance indicators of me area under review.
B. A walkthrough of the key processes of the area under review.
C. An interview with the manager regarding the area's business plan.
D. A review of previous audit and follow- up results of the area under review

Answer: A

Question: 250

What is the purpose of an internal control questionnaire?

A. To gather information from a sample of people who are geographically dispersed

B. To assess risks that could prevent an audited area from achieving its objectives.
C. To evaluate tie level of compliance of remote offices with centrally designed procedures
D. To perform testing of controls more frequently

Answer: B

Question: 251

Which of the following engagement techniques would be best to meet the objective of denting a personal conflict -of -interest situation affecting an organization's procurement function?

A. Inquiry
B. Analytical review
C. Observation
D. Inspection of documents

Answer: D

Question: 252

An internal auditor is planning a consuming engagement and the objective is to identify opportunities to improve the efficiency of the organization's procurement process. The auditor is preparing to conduct a preliminary survey of the are
a. Which of the following approaches would be most useful to obtain relevant information to support the engagement objective?
A. Complete a transaction walkthrough fiat focuses on the design and operation of financial reporting controls
B. Conduct interviews with senior management to obtain their input and insights regarding operational controls.
C. Perform a comprehensive review of the organization s existing policies and standard operating procedures.
D. Review the procurement process map w*h employees who carry out key activities to obtain their input and insights.

Answer: D

Question: 253

Besides a chief audit executive's professional experience what determines the frequency and approach to assessing residual risk?

A. The frequency of executing the internal audit engagements

B. The frequency of changes in the organization environment
C. The expectations set by the board and senior management
D. The expectations set by operating management and senior management

Answer: C

Question: 254

Upon the completion of an audit engagement an audit manager performs a review of a staff auditor's workpapers. Which of the following actions by the manager is the most appropriate this review''

A. Communicate the workpaper review results to management of fie area under review to validate the final report
B. Update the final report in the file with any necessary corrections based on the workpaper review.
C. Discuss the workpaper review results with the staff auditor where appropriate as a leaning opportunity
D. Add the manager's review notes to the final documentation following the review

Answer: C

Question: 255

An internal auditor using the five-attribute approach to document deficiencies in a warehouse shipping process. Which of the following attributes will be included in the workpapers?

A. Risk, impact likelihood existing control, recommendation
B. Condition, cause, effect, recommendation
C. Condition, cause effect test result
D. Risk, impact test result recommendation

Answer: B

Question: 256

Which of the following actives is an internal auditor most likely to perform when establishing the objectives of an assurance engagement?

A. Discuss the internal audit risk assessment including applicable risks and objectives with internal audit management

B. Perform a walk-through of the process under review to determine whether control wore operating, effectively
C. Identify when controls will be tested and the sampling method to be used based on control risk

D. Meet with operational management to team about any areas of concern and to agree on the engagement objectives

Answer: D

Question: 257

An IT auditor is reviewing the access controls in an organization's accounting application. The auditor intends to deploy a tool that can help test the logical controls embedded in the system to ensure employee access is granted according to need. Which of the following would help achieve this objective?

A. Utility software
B. Generalized audit software
C. Audit expert systems.
D. integrated test facility

Answer: B

Question: 258

An internal auditor has suspicions that the management of a department splits me number of planned purchases to avoid the approval process required for larger purchases. Which of the following would be the most efficient technique to help the auditor identify the seventy of this malpractice?

A. Examining the entire population
B. Asking management about the malpractice
C. Testing a sample of random transactions.
D. Using data analytics

Answer: D

Question: 259

To compete in the global market, an organization is restructuring and consolidating many of its divisions. Prior to the consolidation, senior management requested assistance from tie internal audit

activity. Which of the following consulting services would be most appropriate in this situation?

A. Assess controls for potential compliance issues that may affect me consolidation
B. Brief vendors on the potential risks that will occur without continued business
C. Advise division managers on how to streamline operations for better efficiency

D. Determine whether the organization’s controls are effective in meeting business objectives

Answer: C

Question: 260

Acceding to MA guidance, when of the Mowing strategies would like provide the most assurance to the chief audit executive (CAE) that the internal audit activity's recommendations are being acted upon?

A. The CAF obtains a formal response from senior management regarding the corrective actions they plan to take w address the recommendations.

B. The CAE develops a tracking system to monitor the stains of engagement recommendations reported to management for action

C. The CAE communicates with impacted department managers to determine whether corrective actions have addressed engagement recommendations

D. The CAE works with the engagement supervisor to monitor the recommendations issued to management for corrective action

Answer: B

Question: 261

Which of the following statements generally true regarding audit engagement planning?

A. The best source tor detailed process information is senior management
B. Audit objectives should be general and do not change.
C. Computer-assisted audit techniques are typically not useful during engagement planning
D. Internal auditors should prepare a dented audit program for testing controls

Answer: D

Question: 262

Which of the blowing is an example of a compliance assurance engagement?

A. Proving in-house training to senior management regarding applicable laws and regulations B. Proving an assessment of the design adequacy of controls related to consumer privacy and confidentially.

C. Providing an assessment of customer satisfaction with customer service provided by the organization

D. Providing testing on the operating effectiveness of controls ever the reliability of financial reporting

Answer: B

Question: 263

An internal auditor is preparing an internal control questionnaire for the procurement department as part of a preliminary survey. Which of the following would provide the best source of information for questions?

A. A relevant procurement law or regulation.
B. A list of the company's vendors.
C. A review of a sample of tenders during the audited period.
D. A summary of the company's expenditures and their categories.

Answer: A

Question: 264

operational management during the engagement planning phase?

A. To validate the engagement work program.
B. To help the internal auditor understand the objectives of the area or process under review.
C. To determine whether operational management has sufficient knowledge of risks and controls.
D. To determine whether management followed through on action plans from a previous consulting engagement.

Answer: B

Question: 265

evidence for an internal auditor to evaluate the effectiveness of a quality control process in identifying and removing defective products prior to shipment?

A. Reviewing quality department survey results, which show 96% of employees believe all defective products are removed prior to shipping.
B. Physically inspecting a sample of completed processing cycles for defective products prior to shipment.
C. Observing employees while they inspect products for defects.
D. Reviewing a quality report provided by management that shows 13 products were identified and removed during the most recent processing cycle.

Answer: B

Question: 266

According to IIA guidance, which of the following is the most appropriate action to be taken by the chief executive (CAE) if management refuses to accept audit recommendations and implement corrective actions, Even after escalation to senior management?

A. The CAE should continue to meet with management to obtain their agreement for corrective action
B. The CAE should note in the final report that management has decided to accept the risk.
C. The CAE should ask that additional testing be undertaken to strengthen his case as to the need for corrective action.
D. The CAE should advise senior management of his intention to escalate the matter to the board.

Answer: D

Question: 267

The chief audit executive of an international organization is planning an audit of the treasury function located at the organization's headquarters. The current internal audit team at headquarters lacks expertise in the area of financial markets which is needed tor the engagement When of the following would be the most approbate solution considering the time constraint?

A. Outsource the engagement 10 tie organization's external auditor who has expertise in the area of financial markets
B. Hire additional internal auditors who have expertise in the area of financial markets.
C. Invite a guest auditor from one of the organization's affiliates who has expertise m the area of financial markets.
D. Limit the scope of the engagement to the knowledge and skills possessed by the internal audit team.

Answer: C

Question: 268

Due to emerging new technologies that greatly affect the organization, the chief audit executive (CAE) wants to conduct frequent IT audit and is particularly focused on improving the quality of these engagements. Which of the following is the most viable solution for the CAE to ensure that IT audit quality is immediately enhanced and maintained long-term?

A. Each year send a different member of the internal audit staff to an IT audit conference to learn about emerging technologies
B. Contract an external IT special to offer advice and consult on IT audits
C. Employ an independent external IT specialist to perform IT audits for the first year
D. Invite qualified staff from the IT department to serve as guest auditors and lead IT audits

Answer: D

Question: 269

Which of the following statement is consistent with IIA guidance the use of mentoring for internal auditors?

A. The member and the internal auditor should opt for informal meetings even if it means that no formal documentation will be created.

B. The mentor relationship is usually not suitable for internal audit staff, as it does not leas to professional development.

C. The value of mentoring is derived primarily from the personal relationship between the two parties involved, and the mentor's level of relevant experience should not be a key factor.

D. The mentor should be the internal auditor's supervisor to ensure that the auditor performance is assessed in a relevant and meaningful context.

Answer: A

Question: 270

An internal audit team was conducting an assurance engagement to review segregation of duties in the purchasing function. The internal auditors reviewed a sample of purchase orders from the past two year and discovered that 2 percent were signed by employees who were operating in a designated acting capacity due to employee absence. According to IIA guidance, which of the following attributes of information would most likely assist the auditor in deciding whether to report this finding?

A. Sufficiency

B. Reliability

C. Relevance

D. Usefulness

Answer: A

Question: 271

Which of the following statements accurately describes the Standards requirement for ret internal audit records?

A. Retention requirements for internal audit records should be compliant with ones set for external audit records

B. Retention requirements should take into account the medium in which internal audit records are stored

C. Retention requirements should be set by the chief audit executive and aligned will the organization s process and procedures

D. Retention requirements should set a minimum period of the for records storage and the process of archiving documents

Answer: C

Question: 272

A chief audit executive's report to the board showed a significant trend of recent aud4s going over planned budgeted hours. Which of the following factors could cause this trend?

A. Poor engagement supervision
B. ineffective board reporting
C. Untimely observation follows up and closure
D. Limited staff resources

Answer: A

Question: 273

'Internal policy prohibits employees from entering into contacts with financial obligations without proper approval. A project manager signed a change to an important service agreement without obtaining the proper approval As a result the organization is receiving $5,000 per month less for its services.''

Which of the following should be added to the observation?

A. The reason for not following the internal policy
B. A description of what constitutes proper approval
C. The annual impact of the changed agreement on cash flows
D. Details regarding when the change to the agreement was signed

Answer: C

Question: 274

As part of internal audit's assistance with an annual external audit, the internal auditors are required to do a preliminary analytical review of an bank account balances. This involves verifying the current year end balances as web as comparing the current year end balances with previous year end balances to highlight significant changes. Which of the following is the most reliable source for verification of the current year end bank balances?

A. Bank confirmations
B. Internal bonk statements
C. Bank reconciliations as of the end of the year

D. Bank account general ledger balancer as of the end of the year

Answer: A

Question: 275

An audit observation states the following:
"Despite the rules of the organization there is no approved credit risk management policy in the subsidiary. The subsidiary is concluding contacts with clients who have very high credit ratings. The internal audit team tested 50 contacts and 17 showed clients with a poor credit history"
Which of the following components are missing in the observation?

A. Cause and effect.
B. Effect and criteria
C. Condition and cause
D. Criteria and condition.

Answer: B

Question: 276

Which of the following constitutes supervisory activity undertaken during the planning phase of an assurance engagement?

A. Ensuring the process owner with the engagement objectives
B. Reviewing engagement draft reports
C. Ensuring workpapers support audit findings
D. Approving audit work programs

Answer: D

Question: 277

White planning an audit engagement of a procurement card activity. which of the following actions should an internal auditor take to denary relevant risks and controls?

A. Compare card transaction types against procurement card policy guidelines.
B. Develop the scope and objectives of the engagement
C. Determine how many cardholders exceeded their daily limit.
D. Meet with the procurement card program administrator

Answer: D

Question: 278

A chief audit executive (CAE) determined that management chose to accept a high-level risk that may be unacceptable lo the organization. Which is the best course of action for the CAE to Follow?

A. Include using in a subsequent audit to determine if the risks are still present
B. Discuss the matter with senior management and it not reserved with the board
C. Require that management implement controls to mitigate lie risks
D. Report the risks to the process owners so that they can modify their process

Answer: B

Question: 279

How do internal auditors generally determine the priority of the areas within the engagement scope?

A. By calculating the period of time when the area was last audited try internal auditors
B. By totaling the monetary value of the processes within the organization in the scope of the engagement
C. By counting the number of red flags indicating the potential fraudulent activities within the area.
D. By estimating the likelihood of a risks occurring and the potential impact of that risk on the organization

Answer: D

Question: 280

Which of the following is the best option for the chief audit executive to consider for effective coordination of assurance coverage?

A. Create an assurance map to illustrate each provider's level of assurance and planned activities for each area of the organization
B. LIMIT© ricks inventory to identify the risks and controls in place and the relevant control owners.
C. Rely on the risk and control and management testing information maintained for compliance with the regulatory framework
D. Prepare a risk likelihood and impact heal map to prioritize assurance coverage coordination.

Answer: A

Question: 281

An internal auditor examined a nostatistical sample of open accounts receivable balances and discovered that 10 out of 60 exceeded the approved unseated credit limit threshold defined by the organization's policy What should the auditor document in the workpapers?

A. Credit limit over drafts are not monitored in accordance with the organizations policy
B. Seventeen percent of customers' open balances in the sample exceed their approved unsecured credit rent
C. The threshold for credit limits defined by the organization's policy is not adequate
D. Management should perform monthly monitoring of open customer balances

Answer: B

Question: 282

Which of the following parties is accountable for ensuring adequate support for conclusions and

opinions readied by the internal audit activity while relying on external auditors' work?

A. Board of directors
B. External auditors
C. Chief audit executive
D. Senior management

Answer: C

Question: 283

The human resources (HR) department was last reviewed three years ago and is due for an assurance engagement after undergoing recent process changes. Which of the following would the most effective option identify the HR department's risks and controls?

A. Meet with the chief operating officer 10 obtain Information about the MR department
B. Review the previous internal audit report and locus on key audit observations and action plans
C. Review the organization's risk strategy and risk appetite framework
D. Discuss the department's present strategies ‘and objectives with the head of the HR department

Answer: D

Question: 284

According to IIA guidance, when of the Mowing statements is true regarding an engagement supervisor's use of review notes?

A. The engagement supervisor's review notes should be retained m the final documental or even after they are addressed.

B. The engagement supervisor's review notes cannot be used as evidence of engagement supervision

C. The engagement supervisor's review notes could be cleared from all final documentation after they are addressed

D. The engagement supervisor's review notes must be maintained in a checklist separate from tie final documentation

Answer: C

Question: 285

Which of the following items, included in the preliminary audit communication would be most useful for management to formulate action plans in response to audit recommendations?

A. A condition
B. An audit objectives
C. An audit scope
D. An observation rating

Answer: A

Question: 286

In which of following scenarios is the internal auditor performing benchmarking?

A. The auditor compares information from one period with the same information from the poor period
B. The auditor compares new information to his general knowledge of the organization
C. The auditor compares information he collected with simmer information from another source
D. The auditor compares expected outcomes with actual results

Answer: C

Question: 287

An internal auditor is planning an engagement at a financial institution. Toe engagement objective is to identify whether loans were granted in accordance with the organization's policies. When of the following approaches would provide the auditor with the best information?

A. Randomly select 30 cases of loans and verify whether they were repaid timely and in full
B. Randomly select 30 cases of loans and validate them against applicable underwriting guidelines
C. Randomly select 30 employees to complete a survey regarding whether policies and standards are followed
D. Randomly select several months obtain ageing reports for these months and compare them with the poor year

Answer: B

Question: 288

An internal auditor wants to assess the completeness of sales invoices issued by the organization

over a period of time Providing that at the necessary data and analytics software is which of the following types of analyse would be appropriate to satisfy the auditor's objective?

A. Payment terms analysis
B. Duplicates analysts
C. Aging analysis
D. Gap analysis

Answer: D

Question: 289

Which of the following is true regarding the monitoring of internal audit activities?

A. The form and content of monitoring policies could vary by industry
B. The board of directors is responsible for the establishment of monitoring polities
C. Both large and small audit departments must have written policies on monitoring.
D. The chief audit executive must develop all monitoring policies related to the activity

Answer: A

Question: 290

A corporate merger decision prompts the cruel audit executive (CAE) to propose interim changes lo the existing annual audit plan to account for emerging risks. When of the following is the most appropriate action for the CAE to take regarding the changes made to the audit plan?

A. Present the revised audit plan directly to the board for approval
B. Communicate with the chief financial officer and present the revised audit plan to the CEO for approval
C. Present the revised audit plan directly to the CEO for approval
D. Communicate with the CCO and present the revised audit plan to the board for approval

Answer: A

Question: 291

Which of the following is a significant governance issue that should be reported by the chief audit executive to the board?

A. There is no risk management and control process and risk management is solely tie responsibility of operational managers
B. The organisation's code of conduct is distributed to employees each year however employees are not required to attest that they will operate In compliance with the code.
C. Reconciliation of planned board meeting agendas to meeting minutes finds that one meeting was canceled, and the agenda topics were covered at the following meeting.
D. The review of the five-year strategic plan shows that the details of the plan have not been dearly communicated to employees throughout the organization

Answer: A

Question: 292

Which of the following is one of the differences between probability-proportional-to-size (PPS) and attribute sampling?

A. PPS sampling s used to reach conclusions regarding monetary amounts, attribute sampling is not.
B. PPS sampling is used to roach conclusions regarding rates of occurrence, attribute sampling is not.
C. PPS sampling a applied within the context of testing controls attribute sampling s not.
D. Attribute sampling is affected by the monetary book value of the population PPS sampling is not

Answer: A

Question: 293

An internal auditor is analyzing sates records and is concerned whether a transaction is recorded in the coned period. The accounting manager explains that the external auditor approved the records and produces an email from the external audit team leader. How should tie internal auditor respond?

A. Ask the external auditor to review the same transaction again as an independent third party
B. Consult account accounting principles, standards, and relevant guidelines in regard to timing of the entry
C. Interview the chief financial officer and obtain her opinion on how the transactions should be recorded
D. Compare the recording of this transaction to now similar ones were executed last year

Answer: B

Question: 294

During a review of the treasury function an internal auditor identified a risk that all bank accounts may net to include in the daily reconciliation process.
Which of the following responses would be most effective to mitigate this risk?

A. The treasury supervisor establishes a threshold for amounts on bank statements to be reconciled against data in the system
B. The treasury analyst performs a daily reconciliation of al bank statements obtained via email against data in the system
C. The treasury analyst reviews a daily report automatically generated by the treasury system, which shows bank statements that have not been uploaded into the accounting system.
D. The treasury supervisor seeks an annual confirmation from the bank regarding the bank statements processed within a year

Answer: C

Question: 295

During an audit of the human resources department, an internal auditor adopts benchmarking to test the employee turnover rate. How should the internal auditor apply this technique?

A. Compare turnover m the organization to published turnover rates of peer organizations.
B. Compare turnover in one period with turnover in the previous period in the organization
C. Compare turnover in the period to total employees in the organization
D. Compare turnover with the auditor's general knowledge of the organization

Answer: A

Question: 296

When auditing an organization's cash-handling activates which of the following is the most reliable form of testimonial evidence an internal auditor can obtain?

A. Testimony from the cashier who performs the processes being reviewed
B. Testimony from me cashier's supervisor who knows how processes should be performed
C. Testimony from a knowledgeable person who is independent of the cashiering duty
D. Testimony from a manager who oversees all cashiering activities being reviewed

Answer: C

Question: 297

Which of the following is an inherent risk of issuing an opinion on the overall effectiveness of internal control?

A. The results of individual engagements do not support a satisfactory opinion on the effectiveness of internal control.
B. The results of the individual engagements do not support a positive assurance opinion on the effectiveness of internal control
C. The audit risk and associated legal implications increase
D. The reliance on other assurance providers increases

Answer: C

Question: 298

According to IIA guidance, which of the following reflects a characteristic of sufficient and reliable information?

A. The establishment of an audit approach and documentation system
B. The standardization of workpaper terminology and notations
C. The ability to reach consistent audit conclusions regardless of who performs the audit
D. The application of documentation standards m an appropriate and consistent manner

Answer: C

Question: 299

Where should internal auditor focus their attention when identify and assessing key risks during the planning stage of an assurance engagement?

A. Sampling risk.
B. Audit risk.
C. Residual risk.
D. Inherent risk

Answer: D

Question: 300

An internal audit intends to create a risk and control matrix to better understand the organization's

complex manufacturing process. With which of the following approaches would the auditor most likely start?

A. Assess management responses to key risk exposures
B. Analyze the costs and benefits of key controls
C. Evaluate the design adequacy of known controls
D. Conduct a walk-through of all related activates

Answer: D

Question: 301

A chief audit executive (CAE) a developing a work program for an upcoming engagement that will review an organization’s small contracting services. When of the following would the CAT need to consider most when developing the work program?

A. The contracting department's staffing changes within the last year
B. The certifications held by the internal auditors assigned to the engagement
C. The internal audit activity's increase n budget and staffing for the year
D. The organization's recent changes to how it processes payments

Answer: D

Question: 302

An internal auditor e assessing the design of a control and has identified a potential significant weakness. The auditor shared his concern with management however management does not agree that the weakness is significant. What should the internet auditor do next?

A. Perform additional audit work to better articulate the risk

B. Report the finding that management has accepted a level of risk that is unacceptable.

C. Proceed to testing how effectively the control is opening.

D. Because the design weakness has been identified no additional audit work is needed

Answer: A

Question: 303

Which of the following statements is true regarding the chief audit executive's (CAT$) responsibilities after completing an assurance or consulting engagement?

A. The CAE must establish a follow-up process tor both assurance and consulting engagements to monitor that management actions have been effectively implemented to address observations B. The CAE must communicate the results of assurance and consulting engagements lo whoever can ensure that the results are given due consideration.

C. The CAE must acknowledge satisfactory performance when communicating the results of assurance and consulting engagements

D. The CAE may delegate the responsibility for communicating the results of consulting engagements although this responsibility cannot be delegated for assurance engagements

Answer: B

Question: 304

Which of the following would most Holy reflect the best possible engagement objectives?

A. Engagement objectives derived from risk assessment results from a company's risk function experts.

B. Engagement objectives derived from senior management's risk assessment results

C. Engagement objectives derived from the mental audit activity's own risk assessment results

D. Engagement objectives derived from risk assessment results from both senior management and the company's risk function experts

Answer: D

Question: 305

Which of the following risk assessment approaches involves gathering data from work team representing different levels of an organisation?

A. Surveys
B. Management produced analysis 0
C. Facilitated team workshops
D. Weighted risk factors

Answer: C

Question: 306

A senior internal auditor is hired within the internal audit activity for a period of two years before

advancing to an operations manager role within the business operations team. When staffing arrangement is being used in this scenario?

A. Comer of competence
B. Career model
C. Rotational model
D. Cosourcing agreement

Answer: C

Question: 307

The head of customer service asked the chief audit executive (CAE) whether eternal auditors could assist her staff with conducting a risk self-assessment in the customer service department. The CAE promised to meet with customer service managers analyze relevant business processes, and come up with a proposal. Who is most likely to be the final approver of the engagement objectives and scope?

A. Senior management of the organization
B. The chief audit executive
C. The head of customer service
D. The board of directors

Answer: B

Question: 308

An internal auditor is conducting a preliminary survey of the investments area, and sends an internal control questionnaire to the management of the function. (An extract of the survey is provided below).

* Question Yes No Comment

1. Are there any restrictions for any company's investments?
2. Are there any written policies and procedures that document the flow of investment processing?
3. Are investment purchases recorded in the general ledger on the date traded?
4. Is the documentation easily accessible to an persons who need in to perform their job?

Which of the following is a drawback of testing methods like this?

A. They ore kitted as they do not allow the auditor to test many controls.
B. They do not highlight control gaps
C. They are not useful for identifying areas on which the auditor should locus.
D. They are limited as there is a risk that management may not answer fairly.

Answer: D

Question: 309

Internal control questionnaires are used to achieve which of the following objectives?

A. To ascertain the operating effectiveness of a procedure
B. To verify the accuracy of Information in a report
C. To assess the controls mitigating major risks
D. To determine whether specified contra procedures are in place

Answer: D

Question: 310

Acceding to IIA guidance, which of the following statements is true regarding the risk assessment process performed by the internal audit activity?

A. The assessment of high-level risks is typically a linear process.
B. Management should create the preliminary risk matrix
C. The analysis should begin with ne identification of objectives
D. Likelihood should receive greater consideration than impact

Answer: C

Question: 311

According to IIA guidance, when would an interim report typically be produced?

A. During a standard audit engagement when management wants to address an issue before the final report is drafted.
B. Following each workshop conducted during a consulting engagement.
C. During lengthy audit engagements involving several organizational units.
D. Following management's update tor actions taken on outstanding recommendations.

Answer: C

Question: 312

Acceding to IIA guidance, when of the Mowing is an assurance service commonly performed by the internal audit activity?

A. Proposing fine item recommendation lot the annual financial budget of the accounting department
B. Making recommendations regarding financial approval authority limits for the operations department
C. Validating whether employees are following established policies and procedures in the procurement department
D. Generating expense report metrics for employees in the finance department

Answer: C

Question: 313

According to an internal audit observation, the organization’s rules of record management require all contracts to be registered and stored in a specific electronic system. One subsidiary has thousands of client contracts on paper, which are kept in the office because there are not enough assistants to scan the contracts into the system. Which of the following component should be added to this observation?

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

Answer: B

Question: 314

An internal auditor is preparing for an auditor of newly implemented software that is used by 3,000 employees in South America and Europe. What would be the best way for the auditor to gather relevant feedback?

A. interview IT management in both regions
B. Inspect regional user software training records
C. Interview propel management and the vendor responsible for implementation
D. Distribute surveys to software users in both regions

Answer: D

Question: 315

An organization is expanding into a new line of business selling natural gas. The internal auditor is planning an engagement and wants to obtain a general understanding of the natural gas market the market share that the organization wants to win, and the competitive advantage that the organization may have. Which of the following would be the best source of such information?

A. Interview responsible managers and read strategic documents
B. Conduct internet searches on gas sales and analyze market players
C. Review gas clients' portfolio and compile statistics on sales margins
D. Analyze the organization's revenues and calculate the proportion of gas

Answer: A

Question: 316

During follow-up, the chief audit executive (CAE) is having a discussion with management about the internal audit team's recommendations related to a significant issue Management accepted the issue but took no remedial action What is the next step for the CAE?

A. The CAE should reassess and validate the risk tolerance policy
B. The CAE should escalate the issue to senior management .
C. The CAE should reiterate the internal audit team's recommendations to management .
D. The CAE should grant management more time to implement the recommendation and check the status of the issue during the next scheduled follow-up.

Answer: B

Question: 317

What type of audit engagement would be the most appropriate to determine how an organization could be more profitable in the long term?

A. Operational audit
B. Compliance and financial audit
C. Performance audit
D. Quality audit

Answer: A

Question: 318

While performing fieldwork for an assurance engagement, a member of the internal audit team identified a key control that was not identified during the planning phase of the engagement Which of the following actions by the internal auditor would be most appropriate?

A. Promptly adjust the audit work program to include tests that address the newly identified control and notify the other audit team members of the change
B. Proceed with the current audit work program because the engagement scope has already been finalized but plan to address the newly identified control as part of the follow up engagement C. Adjust the audit work program to account for the new control, but only with approval from the engagement supervisor
D. Discuss the control with management of the area under review and seek their approval prior to including the control in the current audit engagement

Answer: C

Question: 319

Which of the following internal audit procedures commonly involves sampling?

A. Confirmation and financial statement analysis
B. Reperformance and inspection
C. Vouching and tracing
D. Trend analysis and benchmarking

Answer: B

Question: 320

A chief audit executive (CAE) following up on action plans from previously completed audits identifies that management has determined that certain action plans are no longer necessary If the CAE disagrees with management's decision, which of the following is the most appropriate next step for the CAE to take?

A. The CAE must discuss the matter with senior management
B. The CAE must discuss the matter with key shareholders
C. The CAE must discuss the matter with legal counsel
D. The CAE must discuss the matter with the board

Answer: D

Question: 321

An internal auditor accessed accounts payable records and extracted data related to fuel purchased tor the organization's vehicles As a first step, she sorted the data by vehicle and used spreadsheet functions to identify all instances of refueling on the same or sequential dates She then performed other tests Based on the auditor's actions which of the following is most likely the objective of this engagement1?

A. To identify whether fuel was purchased for work-related purposes
B. To estimate future fuel costs for the organization's fleet of vehicles
C. To determine trends in average fuel consumption by vehicle
D. To determine whether the organization is paying more than the industry average for fuel

Answer: A

Question: 322

In which of the following populations would the internal auditor most likely choose to use a stratified sampling approach?

A. Inventory comprised of the same items stored in different warehouses
B. Batches of materials that must be confirmed as meeting quality standards
C. Revenue that is earned by an organization through cash receipts or as receivable.
D. Tax reports submitted to meet the requirements of the local taxation authority

Answer: C

Question: 323

An internal audit team leader is having difficulties completing the planning phase of an assurance engagement because the business unit lacks a system of internal controls. Which of the following is the most appropriate course of action for the internal audit team leader?

A. Defer the engagement until a system of internal control has been established
B. Change the scheduled engagement from assurance to consulting to help correct the shortcomings
C. Add a consulting component to the already scheduled assurance engagement
D. Seek the involvement of the external auditor to assist with improving the internal controls

Answer: C

Question: 324

The head of customer service asked the chief audit executive (CAE) whether internal auditors could assist her staff with conducting a risk self-assessment in the customer service department The CAE promised to meet with customer service managers analyze relevant business processes and come up with a proposal Who is most likely to be the final approver of the engagement objectives and scope?

A. Senior management of the organization
B. The chief audit executive
C. The head of customer service
D. The board of directors

Answer: B

Question: 325

According to IIA guidance which of the following best describes reliable information?

A. Reliable information is factual adequate, and convincing so that a prudent informed person would reach the same conclusions as the internal auditor
B. Reliable information is the best attainable information through the use of appropriate engagement techniques
C. Reliable information supports engagement observations and recommendations and is consistent with the objectives for the engagement
D. Reliable information helps the organization and the internal audit activity meet its goals

Answer: A

Question: 326

Which of the following statements is true regarding the audit objective for an assurance engagement?

A. Operational management must determine the audit objective in cooperation with the internal auditor
B. The audit objective may be adjusted after the start of an engagement and it does not need to align with the assessed risks
C. The audit objective must consider the possibility of fraud and noncompliance
D. The audit objective may or may not consider the possibility of fraud depending on the assessed likelihood and impact

Answer: C

Question: 327

Which of the following best exemplifies having effective risk management and internal control processes?

A. Relevant risk indicators and mitigation plans are in place
B. All risks are identified and assessed
C. Business profitability is likely to be achieved
D. Risk information is communicated to customers and suppliers

Answer: A

Question: 328

Which of the following best describes external benchmarking using trend analysis for a subsidiary of an international company?

A. Comparing the current ratio of the subsidiary with the current ratio of another company for the same period
B. Comparing common-size financial statements of the subsidiary with the averages of the industry for the last two periods
C. Comparing the sales of the subsidiary with the sales of another subsidiary for the last two periods.
D. Comparing the sales of the subsidiary with the budgeted figures for the last two periods

Answer: B

Question: 329

An internal auditor discovered that sales contracts with business clients were not stored in the electronic document management database instead they were scanned and saved in a nonsystematic manner to server folders Which of the following would be an appropriate consequence for the internal auditor to include in the documented observation?

A. The document management policy requires business client data to be stored in a specific management database
B. Sales contracts were stored improperly because the office manager was not trained to use the

electronic database and prefers to avoid it
C. if the organization becomes subject to litigation the agreed pricing terms and conditions of the contracts may be difficult to prove
D. All staff should be appropriately trained and required to follow the organization's established policies and procedures pertaining to document management

Answer: C

Question: 330

The audit committee has asked the chief audit executive (CAE) to conduct an ad hoc forensic investigation of the purchasing department within a month due to the significance and urgency of a recently discovered risk The internal audit activity currently has no available staff with relevant experience or qualifications Which of the following is the CAE's best option for fulfilling the internal audit activity's responsibilities in this case?

A. Outsource the investigation to independent professional consultants
B. Select certain internal auditors and remove them from their current assignments so that they can begin a forensic investigation course
C. Recruit additional internal auditors possessing relevant qualification and experience
D. Decline the engagement at this time

Answer: A

Question: 331

Which of the following statements is true regarding a drawback of using internal control questionnaires (ICQs)?

A. When internal auditors need to cover many control procedures using ICQs is generally less efficient than conducting observations and inspections
B. It is generally difficult for internal auditors lo compile appropriate ICQs for business activities that are governed by standardized operating procedures
C. ICQs are inadequate to provide effective assurance on how organizational processes are executed in practice.
D. It is generally difficult for internal auditors to process completed questionnaires, because ICQs frequently elicit detailed comments and long answers from management

Answer: A

Question: 332

While conducting a review of the logistics department the internal audit team identified a crucial control weakness. The chief audit executive (CAE) decided to prepare an audit memorandum for management of the logistics department followed by an informal meeting What is the most likely reason the CAE decided to prepare the audit memorandum?

A. To report up-to-date audit progress to management
B. To ensure that the internal audit team and the CAE are aligned with regard to the identified weakness
C. To allow management to address the identified weakness timely
D. To obtain management's agreement with regard to the identified weakness

Answer: C

Question: 333

Which of the following is one of the five attributes that internal auditors include when documenting a deficiency?

A. The criteria used to make the evaluation
B. The methodology used to analyze data
C. The proposed follow-up engagement work to be performed
D. The scope of work performed during the engagement

Answer: A

Question: 334

An internal auditor recommended that an organization implement computerized controls in its sales system in order to prevent sales representatives from executing contracts in excess of their delegated authority levels A follow-up review found that the sales system had not been modified, but a process had been implemented to obtain written approval by the vice president of sales for all contracts in excess of S1 million The chief audit executive (CAE) would be justified in reporting this situation to the organization's board under which of the tollowing circumstances'?

1. In the opinion of the CAE the level of residual risk assumed by senior management is too high
2. Testing of compliance with the new process finds that all new contracts in excess of $1 million have been approved by the vice president of sales
3. The cost of modifying the sales system to include a preventive control is less than S100.000

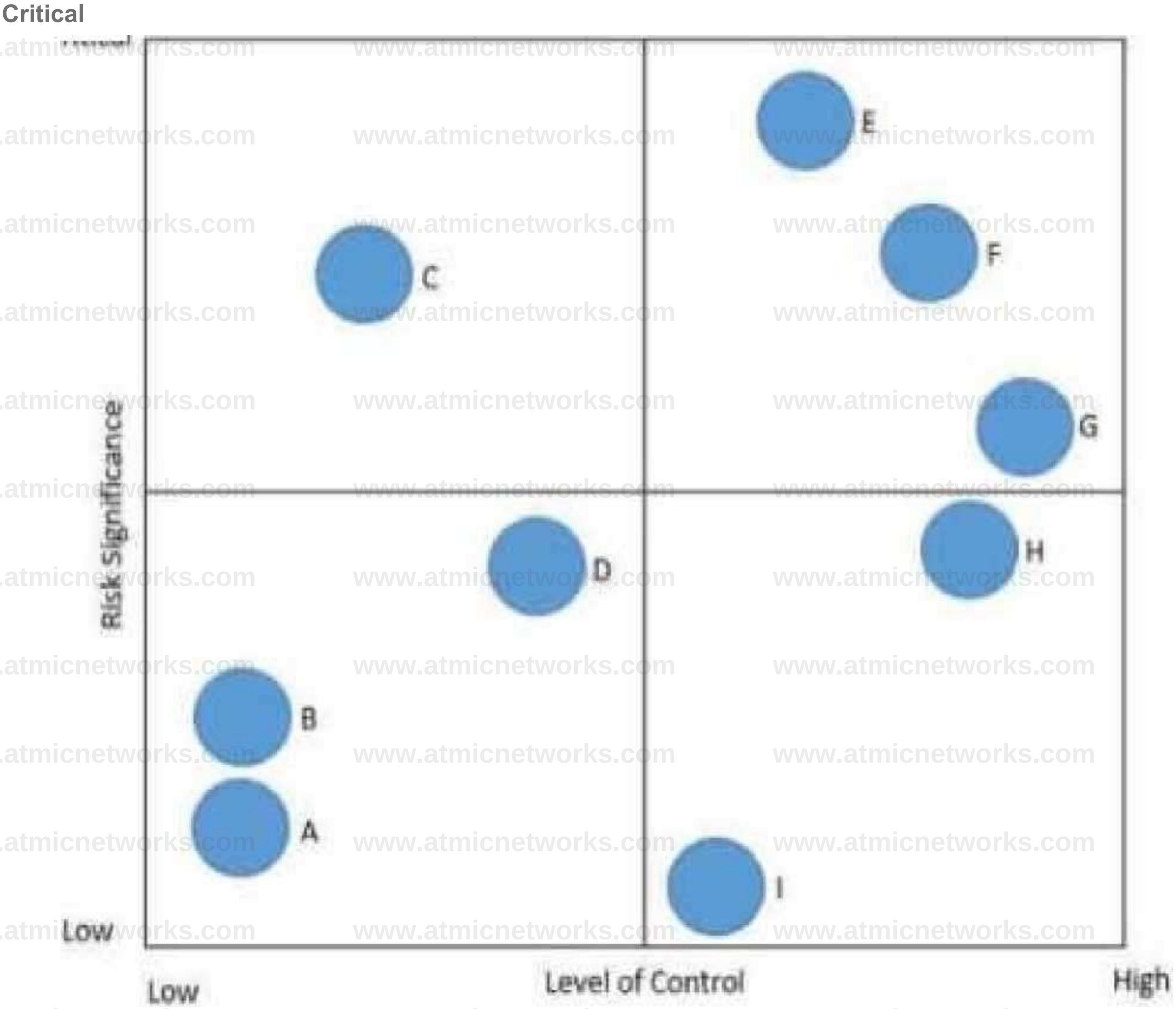
A. 1 only
B. 3 only
C. 1 and 3 only

D. 1, 2, and3

Answer: A

Question: 335

In the following risk control map risks have been categorized based on the level of significance and the associated level of control. Which of the following statements is true regarding Risk C?



A. The level of control is appropriate given the level of risk
B. The level of control is excessive given the level of risk
C. The level of control is inadequate given the level of risk
D. There is not enough of information to determine whether the controls are appropriate or not

Answer: C

Question: 336

In which of the following situations has an internal audit of obtained physical evidence?

A. An internal auditor made purchases from several of the organization's retail outlets to evaluate customer service

B. An internal auditor interviewed various employees regarding health and safety issues and recorded their answers

C. An internal auditor obtained the current quarterly financial report and computed changes in deb- to-equity ratio

D. An internal auditor received a signed confirmation regarding the terms of a transaction from an independent attorney

Answer: A

Question: 337

Which of the following is an appropriate documentation of proper engagement supervision?

A. A completed engagement workpaper review checklist.
B. The supervisor's review notes on engagement workpapers.
C. The email exchanges between the audit team and the supervisor.
D. A supervisor's approval of resources allocated to the engagement

Answer: A

Question: 338

An internal auditor discovered that a new employee was granted inappropriate access to the payroll system Apparently the IT specialist had made a mistake and granted access to the wrong new employee. Which of the following management actions would be most effective to prevent a similar issue from occurring again?

A. Remove the new employee's excessive access rights and request that he report any future access error.

B. Perform a complete review of all users who have access to the payroll system lo determine whether there are additional employees who were granted inappropriate access

C. Review the system activity log of the employee to determine whether he used the inappropriate access to conduct any unauthorized activities in the payroll system

D. Provide coaching to the IT specialist and introduce a secondary control to ensure system access is granted in accordance with the approved access request.

Answer: D

Question: 339

The audit manager asked the internal auditor to perform additional testing because several irregularities were found in the financial information. Which of the following would be the most appropriate analytical review for the auditor to perform?

A. Compare the firm's financial performance with organizations in the same industry
B. Interview all managers involved in preparing the financial statements
C. Perform a bank reconciliation to confirm the cash balance in the financial statements.
D. Trace each financial transaction to the original supporting document

Answer: A

Question: 340

Management requested internal audit consulting services. During fieldwork significant control issues were identified by the internal audit team. Which of the following is an appropriate response from the chief audit executive?

A. End the consulting engagement and report the results to management as planned
B. Report the significant control issues to senior management and the board and recommend corrective action
C. Mutually agree with the engagement client on corrective actions
D. Focus on the consulting engagement and schedule an assurance engagement next to address the control issues

Answer: B

Question: 341

The internal auditor and her supervisor are in dispute about a risk that was not tested during an audit of the procurement function. Which of the following tools would best support the auditor's decision not to test the risk?

A. A spaghetti map
B. A heat map.
C. A process map
D. An assurance map

Answer: D

Question: 342

Which of the following factors would be the most critical in determining which engagements should be included in the annual internal audit plan?

A. Whether an audit is explicitly required by the internal audit charter
B. The extent to which the work to be performed is an assurance or consulting engagement
C. The organization's annual risk management strategy
D. Risks that are identified by operations staff or senior management

Answer: C

Question: 343

According to IIA guidance which of the following statements is true regarding the annual audit plan?

A. The annual audit plan should only be adjusted in response to problems with resourcing, scope, and data availability.
B. The chief audit executive (CAE) may incorporate risk information, including risk appetite levels from management for the audit plan at her discretion.
C. In an immature risk management environment it is preferable for the CAE to rely solely on her judgment regarding risk identification and assessment to develop the audit plan.
D. The CAE may make adjustments to the annual audit plan as needed without senior management or board approval.

Answer: B

Question: 344

Which of the following sources of testimonial evidence would be considered the most reliable regarding whether a process is effectively performed according to its design?

A. The person responsible for performing the task
B. Two or more people that work in the area
C. The supervisor in charge of the process
D. The manager that wrote the steps to be followed

Answer: C

Question: 345

Which of the following internal control attributes should internal auditors consider testing during a review of the board of directors?

A. The presence of an independent critical mass
B. The established philosophy and operating style of senior management
C. The articulated internal control objectives of the organization
D. The organization's employee recruiting and retention policies

Answer: A

Question: 346

The following is a list of major findings in the executive summary report for an audit of the contract management process

- Noncompliance with contract provisions requiring vendors to obtain insurance policies with indemnity value of not less than $1 million
- Compliance with contract obligations and deliverables is not monitored
- No contract agreement with five vendors providing core services

Which of the following is an appropriate conclusion that can be drawn from these findings?

A. These are weaknesses resulting from a lack of a documented contracting policy
B. Substandard service delivery by vendors may not be detected
C. Management should expedite actions to rectify the observations identified
D. The internal controls guiding contract management are not operating effectively

Answer: D

Question: 347

Considering the five-attribute approach to documenting deficiencies in an area under review which of the following answers the question. "What should be in place?’’

A. Action plan
B. Recommendation
C. Condition
D. Criteria

Answer: D

Question: 348

An internal auditor is examining the organization's internal control processes. Which of the following would the auditor do to test the reliability of a customer database1?

A. Perform a site visit to see whether the organization's servers are operational
B. Interview end users to determine whether they understand how to use the database information
C. Determine whether policies are in place on how to use the database information
D. Review for indications of potential issues with the database information

Answer: D

Question: 349

Which of the following is the most appropriate approach for the internal audit activity to follow up on management action plans?

A. Create a tracking system for follow up
B. Ensure that follow-up activities are performed at least weekly.
C. Delegate follow-up activities to qualified administrative staff within the business unit
D. Ensure that follow-up activities are performed by the most senior auditor on staff

Answer: A

Question: 350

The board of directors expressed concerns about potential external risks that could impact the organization s ability to meet its annual objectives and goals The board requested consulting services from the internal audit activity to gain insight regarding the external risks Which of the following engagement objectives would be appropriate to fulfill this request?

A. Assess the organization's ability to minimize potential external risks
B. Assess the organization's process of vetting vendors that provide necessary services to the organization
C. Assess the organization's risk impacts from the markets in which it operates
D. Assess the organization's controls implemented that would help minimize risks

Answer: A

Question: 351

Which of the following is the primary purpose of implementing a program whereby employees are rotated from other parts of the organization into the internal audit activity?

A. It provides the internal audit activity with more resourcing options to meet the audit plan
B. It offers internal auditors the opportunity to learn more about other work areas.
C. It gives nonauditors a better understanding of the control environment.
D. It provides an opportunity for the recruitment of employees as permanent internal auditors

Answer: D

Question: 352

During a review of data privacy an internal auditor is tasked with testing management's identification and prioritization of critical data collected by the organization. Which of the following steps would accomplish this objective?

A. interview management to determine what types of data are collected and maintained
B. Trace data from storage to the collection sources to determine how critical data is collected and organized
C. Review a sample of data to determine whether the risk classification is reasonable
D. Document and test a data inventory and classification program by determining the data classification levels and framework

Answer: D

Question: 353

An internal auditor develops an engagement observation related to an organization's accumulation of large travel advances. The auditor observes that the organization's procedures do not require justification for travel advances greater than a specific amount Which of the following best describes the organization's procedures?

A. A criterion of the organization's accumulation of large travel advances
B. A condition of the organization's accumulation of large travel advances
C. A consequence of the organization's accumulation of large travel advances
D. A cause of the organization's accumulation of large travel advances

Answer: D

Question: 354

An organization is experiencing a significant risk that threatens its financial well-being Senior management requested that the chief audit executive (CAE) meet with them to discuss the risk. Which of the following would best describe the CAE's responsibility at the meeting?

A. Inform senior management of the appropriate actions they should take to control the risk
B. Recommend that the internal audit activity provide consulting services to help minimize the risk C. Assume the responsibility of resolving the significant risk that will affect the organization
D. Determine whether senior management accepted risk that may be deemed unacceptable for the organization

Answer: D

Question: 355

The internal audit activity has become aware of public complaints regarding the sales practices of telephone marketing personnel in a large organization. The internal auditors decide to review a sample of all complaints within the last three months to ensure they are reflective of current marketing practices. Which of the following best describes this sampling technique?

A. Judgmental sampling
B. Random sampling
C. Discovery sampling
D. Statistical sampling

Answer: A

Question: 356

An organization recently acquired a subsidiary in a new industry, and management asked the chief audit executive (CAE) to perform a comprehensive audit of the subsidiary prior to recommencing operations The CAE is unsure her team has the necessary skills and knowledge to accept the engagement According to IIAguidance, which of the following responses by the CAE would be most appropriate?

A. The CAE should accept the engagement and ensure that an explanation of the expertise

limitations is included in the final audit report.
B. The CAE should ask management to hire an external expert who is familiar with the industry to perform an independent audit for management

C. The CAE should accept the engagement and hire an external expert to assist the audit team with the audit of the subsidiary

D. The CAE should recommend postponing the engagement until the internal audit team is able to develop sufficient knowledge of the new industry

Answer: C

Question: 357

When estimating the impact of an inherent risk, which of the following should internal auditors consider?

A. The probability and frequency of occurrence
B. Financial and nonfinancial factors related to the risk
C. The number of risks identified on the heat map
D. The residual risk following implementation of appropriate controls

Answer: B

Question: 358

An internal auditor is asked to perform an assurance engagement in the organization's newly acquired subsidiary When developing the objectives tor the engagement which ot the following statements describes the most important items that the auditor needs to consider?

A. Previous performance of the subsidiary specifically its financial results over the last three years and the outcome of external audit reviews

B. The results of previous internal audits of the subsidiary the recommendations provided and whether the recommended actions have been implemented

C. Organizational strategy objectives, risks, control framework and the expectations of stakeholders regarding the audit

D. The qualifications and competencies of the subsidiary's management team and their understanding of risk and control

Answer: C

Question: 359

An engagement supervisor reviewed a staff internal auditor's documentation and noted that several edits should be made. The internal audit activity uses an electronic workpaper database and does not maintain paper files for its system of record. A system error prevents the engagement supervisor from adding her electronic signature to any workpaper in the database Given this situation which is the most appropriate response to provide evidence of supervisory review?

A. The engagement supervisor should print sign and date each workpaper after the review is complete and scan the document into the database as evidence of review

B. Because the engagement supervisor called the help desk to correct the IT problem, he should upload the support-request ticket from the help desk to serve as evidence of the review

C. The engagement supervisor should ask another manager-level internal auditor not associated with the project to sign the workpaper on his behalf

D. The engagement supervisor should instruct the staff internal auditor to add a note in the workpaper on his behalf indicating that the workpaper was reviewed and feedback was provided

Answer: A

Question: 360

Which of the following recommendation types is most likely to propose the most long-term solutions?

A. Condition-based recommendations
B. Cause-based recommendations
C. Effect-based recommendations
D. Root cause-based recommendations

Answer: D

Question: 361

In order to obtain background information on an assigned audit of data center operations an internal auditor administers control questionnaires to select individuals who have primary responsibilities within the process. Which of the following is a drawback of this approach?

A. It will be difficult to quantify the information obtained through this approach
B. This approach does not help the auditor learn about the existence of controls
C. It takes the auditor a long time to assess the relevant controls using this approach
D. Information on control functionality is limited

Answer: D

Question: 362

Which of the following best describes the manual audit procedure known as vouching?

A. Testing the validity of information by following it backward to a previously prepared record

B. Testing the accuracy of the control by reperforming the task or process required

C. Soliciting and obtaining written verification of the accuracy from an independent third party D. Testing the completeness of information forward from a record to a subsequently prepared document

Answer: A

Question: 363

Which of the following audit steps would an internal auditor perform when reviewing cash disbursements to satisfy IIA guidance on due professional care?

A. The calculated statistical sample size is 50 however the internal auditor believes errors exist so he decides to increase the sample size to 80

B. The internal auditor traces serial numbers of computer equipment listed on an invoice to the fixed asset inventory

C. The internal auditor reviews the accounts payable manager's petty cash fund and vouchers

D. The internal auditor reviews the related invoice purchase order and receiving report for each sample selection

Answer: D

Question: 364

Which of the following describes the primary objective of an internal audit engagement supervisor?

A. Uphold the quality of the internal audit actively

B. Provide engagement progress updates to management of the area under review

C. Assure risks and controls are identified and assessed

D. Ensure timely completion of the engagement

Answer: A

Question: 365

An internal auditor is planning to audit the organization's payroll function, which was recently outsourced. Which of the following is the most appropriate first step for the auditor?

A. Review management's organ nationwide risk assessment

B. Understand the objectives and strategies of the new arrangement

C. Revise the scope of the audit engagement

D. Form objectives for the audit engagement

Answer: B

Question: 366

According to HA guidance on IT, which of the following actions would be performed as part of the "Define IT Universe" stage of the IT audit plan development process?

A. Identify significant applications that support the business operations
B. Assess risk and rank subjects using business risk factors
C. Identify how the organization structures its business operations
D. Select audit subjects and bundle into distinct audit engagements

Answer: A

Question: 367

What is the best course of action for a chief audit executive if an internal auditor identifies in the early stage of an audit that some employees have inappropriate access to a key system?

A. Contact the audit committee chair to discuss the finding
B. Obtain verbal assurance from management that the inappropriate access will be removed
C. Issue an interim audit report so that management can implement action plans
D. Ask the auditor to create a ticket with the IT help desk requesting to revoke the inappropriate access

Answer: C

Question: 368

Upon concluding the engagement fieldwork an internal auditor discusses the audit findings with

operational management There is a greater likelihood that the auditor will obtain a responsive action plan from management when both parties agree on which of the following attributes of the audit finding?

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

Answer: D

Question: 369

The chief audit executive (CAE) determined that the internal audit activity lacks the resources needed to complete the internal audit plan Which of the following would be the most appropriate action tor the CAE to take?

A. Use guest auditors from within the organization, and leverage their experience by assigning them to lead engagements m areas where they previously worked
B. Outsource some of the audits to the organization s external auditor who is already familiar with the organization
C. Invite nonauditors to join the internal audit activity for a two-year rotational position, and assign them to join audit teams that are reviewing areas where they have no previous management responsibility
D. Recruit recent college graduates and employ them as audit interns with an aim to offer permanent employment

Answer: B

Question: 370

What is the primary objective of an engagement supervisor's review of key activities performed during the engagement?

A. To ensure that the engagement is completed on time and within budget
B. To ensure that all work performed meets acceptable quality standards
C. To ensure that management has provided suitable responses to all observations
D. To ensure that management is satisfied with the progress of the engagement

Answer: B

Question: 371

Which informal ion- gathering method would be most efficient for an internal auditor to determine whether specified control procedures are in place?

A. Interviews
B. Observations
C. Reperformance
D. Internal control questionnaires

Answer: D

Question: 372

During follow-up. the internal auditor discovered that operational management did not implement effective actions to address a significant control breach If the issue is left unresolved it may result in regulatory sanctions and damage the organization's reputation What is the most appropriate next step for the chief audit executive to lake?

A. Report the matter to the board
B. Implement the recommended control to address the exposure
C. Discuss the matter with senior management
D. Ask the regulatory agency to persuade management to address the issue

Answer: C

Question: 373

An internal auditor has been asked to join a project team to help design controls in a software application to address specific risks that have been identified by the team Which of the following actions is most appropriate for the internal auditor to perform?

A. Facilitate a control assessment to ensure all application risks were appropriately identified
B. Advise the project team on how to develop effective controls
C. Direct the project team to implement the appropriate controls within the software application D. Provide assurance that the design of the controls will mitigate the identified application risks

Answer: B

Question: 374

An internal auditor wants to identity potential ghost employees in the organization's payroll system The auditor extracts the following data

- Human resources data with employees' names addresses employment conditions and identification codes
- Payroll data
- Logs from entrance systems

With this data, which of the following types of ghost employees will the auditor be able to identify?

A. Employees who are being paid more than then approved wages
B. Employees who get paid although their employment has expired
C. Employees who are related to one of the subcontractors
D. Employees who are physically present at the workplace but who do not perform the specified job duties

Answer: B

Question: 375

According to IIA guidance which of the following represents sufficient information?

A. Information that is factual adequate and convincing
B. Information that is best attainable through the use of appropriate engagement techniques
C. Information that supports engagement objectives and recommendations
D. Information that helps the organization meet its goals

Answer: A

Question: 376

Which of the following would be the most helpful to a chief audit executive when developing a talent management strategy?

A. Gap analysis
B. Staff preferences
C. Maturity analysis
D. Extent of external audit coverage

Answer: A

Question: 377

An internal auditor wanted to determine whether company vehicles were being used for personal purposes She extracted a report that listed company vehicle numbers business units to which the vehicles are allocated travel dates, travel duration and mileage She then filtered the data for weekend dates Which of the following additional information would the auditor need?

A. Names and work titles of employees
B. Description of responsibilities of business units.
C. Average fuel consumption data of vehicles
D. Location and route data of vehicles

Answer: D

Question: 378

According to IIA guidance which of the following statements is true regarding heat maps?

A. A heat map sets likelihood to have higher priority than impact.
B. A heat map sets impact to have higher priority than likelihood.
C. A heat map recognizes that the priority of impact and likelihood can vary.
D. A heat map recognizes impact and likelihood as equally important

Answer: C

Question: 379

During an audit of suspense accounts the internal auditor found that there were no written policies on how suspense accounts should be treated. The auditor also found that suspense account balances were cleared once per week, not daily. Which of the following is the most appropriate first response by the auditor?

A. The auditor should conclude that suspense accounts were not being cleared on a timely basis because they should be cleared daily
B. The auditor should ask management whether any undocumented policies exist and. if so, determine whether they are adequate
C. The auditor should conclude that the clearing of suspense accounts was timely and appropriate because weekly clearing is sufficient.
D. The auditor should rely on his professional judgment and experience to develop criteria for evaluating the existing controls over suspense accounts

Answer: B

Question: 380

According to the MA guidance, which of the following does the engagement work program test in a review of an organizational process?

A. Process objectives.
B. Process risks
C. Process controls.
D. Process scope

Answer: C

Question: 381

Internal audit staff lacks the expertise to perform a fraud investigation engagement stemming from a whistleblowing incident. Which of the following is the most appropriate option for the chief audit executive?

A. Appoint an independent fraud investigation specialist to work with the selected internal auditors.
B. Organize in-house fraud investigation training sessions for selected internal auditors.
C. Assign an experienced auditor to the engagement for a development opportunity.
D. Hire a new internal auditor who possesses fraud investigation experience.

Answer: A

Question: 382

Senior management wants assurance that third-party contractors are following procedures as agreed with the organization. Which type of audit would be most appropriate to achieve this objective?

A. A compliance audit.
B. A due diligence audit.
C. A financial audit.
D. An external audit.

Answer: A

Question: 383

Which of the following is an appropriate activity when supervising engagements?

A. During engagement planning, the audit work program should be discussed between auditors and the engagement supervisor with the supervisor approving the work program.
B. During fieldwork, scope changes made to the work program are at the auditor's discretion and should be supported adequately in the workpapers.
C. Engagement supervision is most critical to the fieldwork and reporting phases of the audit, as this is where the majority of the work takes place.
D. A degree of high supervision to no supervision may be provided to an auditor depending on his level of

competence and the complexity of the engagement.

Answer: A

Question: 384

During an engagement in one of the subsidiaries of an organization, an internal auditor noted the following in the workpapers:

"As a subsidiary of a multinational organization in this particular country, the entity is required to register annually with the

respective ministry. However, the subsidiary did not submit the required documentation for registration during the prior year. Failure

to comply with internal and external regulations could lead to penalties or fines from the respective authorities. It is recommended

that the management of the subsidiary ensures compliance with the relevant legislation. As a recoverable action, management

should register the subsidiary in the current year as soon as possible."

What part of this narrative represents a condition of the observation made by auditors in the final report?

A. " ... the subsidiary did not submit required documentation for registration in the prior year."
B. " ... the entity is required to register annually with the respective ministry."
C. " ... failure to comply with internal and external regulations might lead to penalties or fines from the respective authorities."
D. " ... management should register the subsidiary in the current year as soon as possible."

Answer: A

Question: 385

How should an internal auditor approach preparing a detailed risk assessment during engagement planning?

A. Complete the risk assessment independently to prevent conflicts of interest with the function being reviewed.
B. Work with external auditors to ensure that the risk assessment includes items reflected on the independent auditor's report.
C. Work with management of the function being reviewed, as management would be most familiar with the business objectives and related risks.
D. Consult with the compliance department, which typically has a more comprehensive view of the organization.

Answer: C

Question: 386

An organization owns vehicles that are kept off-site by employees to pick up and deliver orders. An internal auditor selects a specific vehicle from the fixed asset register for testing. Which of the following would best provide sufficient, indirect evidence for the auditor to confirm the existence of the vehicle?

A. Review logs of the vehicles assigned to employees for the delivery of goods during the engagement period.
B. Visit the home address of the specific employee to see the selected vehicle.
C. Compare the registered details of the vehicle in the fixed asset register to a date-stamped photograph of the vehicle.
D. Seek independent confirmation of the vehicle's details from one of the delivery employees.

Answer: C

Question: 387

An internal audit report includes a recommendation to remove inappropriate user access to an IT application. Which of the following does the recommendation represent?

A. An agreed action adopted by management.
B. A condition-based recommendation as an interim solution to correct a current condition.
C. A cause-based recommendation to prevent inappropriate access being granted again.
D. A management action plan.

Answer: C

Question: 388

An internal auditor used a risk and control matrix to prepare a work program for testing a software release. During the engagement planning stage, he tested the design of the release procedure as a key control and concluded that the control was not designed well. During the performance stage, he tested the operation of this control and concluded that it was implemented as designed. Which of the following statements is true regarding this scenario?

A. The test of the control design should have occurred at the performance stage.
B. The test of the operating effectiveness of the control was not necessary.
C. A risk and control matrix is not appropriate for this type of engagement.

D. The test of the operating effectiveness of the control should have occurred at the planning stage.

Answer: B

Question: 389

According to the Standards, which of the following is true regarding the auditor's inclusion of management's satisfactory performance in the final audit report?

A. Acknowledgement of satisfactory performance is encouraged but not required.
B. There are no standards to address the inclusion of satisfactory performance.
C. Satisfactory performance should only be acknowledged with the advice of corporate counsel.
D. Auditors must include satisfactory performance with the approval of the board.

Answer: A

Question: 390

After completing an assurance engagement, the chief audit executive (CAE) concludes that management has accepted a level of risk that may be unacceptable to the organization. What is the most appropriate first step for the CAE to take?

A. Discuss the issue with senior management.
B. Discuss the issue only with the CEO.
C. Inform the board.
D. Discuss the issue with the members of management responsible for the risk area.

Answer: A

Question: 391

An internal audit manager assigns an audit team to test purchase transactions by selecting a sample from transactions processed by each of the three procurement officers.
Which of the following techniques will help the audit team achieve this sampling objective?

A. Systematic sampling.
B. Stratified sampling.
C. Stop-or-go sampling

D. Discovery sampling.

Answer: B

Question: 392

An internal auditor reviewed bank reconciliations prepared by management of the area under review. The auditor noted that the bank statements attached did not have the
bank heading, logo, or address. Which of the following statements is true regarding this situation?

A. The evidence may not be reliable.
B. The evidence is not relevant.
C. The evidence may not be sufficient.
D. The information missing is not relevant to the audit.

Answer: A

Question: 393

Which of the following would be most likely found in an internal audit procedures manual?

A. A summary of the strategic plan of the area under review.
B. Appropriate response options for when findings are disputed by management.
C. An explanation of the resources needed for each engagement.
D. The extent of the auditor's authority to collect data from management.

Answer: D

Question: 394

Which of the following represents a ratio that measures short term debt-paying ability?

A. Debt-to-equity ratio.
B. Profit margin.
C. Current ratio.
D. Times interest earned.

Answer: C

Question: 395

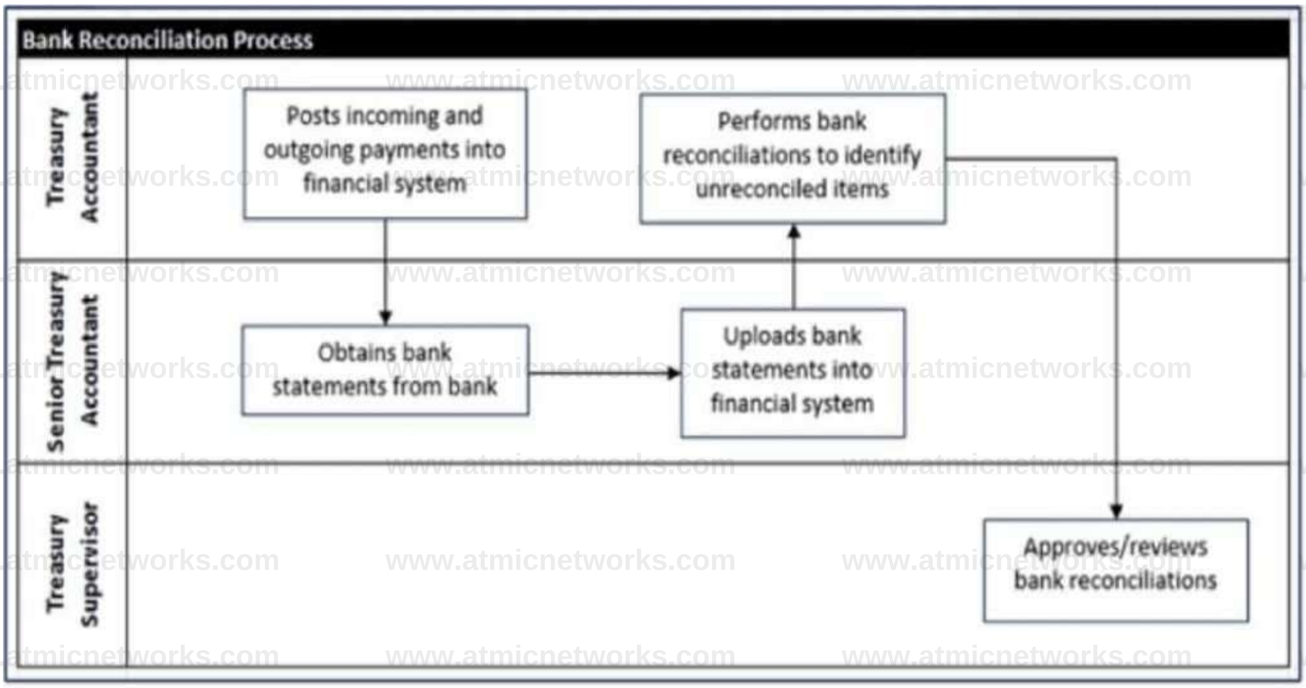
Which type of engagement would be the most appropriate to assess the maturity and rigor of the organizationwide risk management process of a target entity that management is considering acquiring?

A. A due diligence engagement.
B. An operational audit engagement.
C. A feasibility study engagement.
D. A risk and control self-assessment engagement.

Answer: A

Question: 396

Below is a flowchart detailing an organization's bank reconciliation process. Which of the following conclusions can be drawn from the flowchart?



A. There is a conflict in the segregation of duties between preparing bank reconciliations and posting payments to the accounting books.
B. There is an appropriate segregation of duties in the treasury department during the bank reconciliation process.
C. There is a large workload for the treasury accountant during the bank reconciliation process.

D. Bank statements should be obtained at a higher level, such as through the treasury supervisor.

Answer: B

Question: 397

Upon completing a follow-up audit engagement, the chief audit executive (CAE) noted that management has not implemented any mitigation measures to address the high
risks that were reported in the initial audit report. What initial step must the CAE take to address this situation?

A. Communicate the issue to senior management.
B. Discuss the issue with members of management responsible for the risk area.

C. Report the situation to the external auditors.
D. Escalate the issue to the board.

Answer: B

Question: 398

During an entity-level controls assessment, internal auditors deploy an internal control questionnaire to test the controls. Which of the following is a major drawback of this testing method?

A. Information obtained by this method can be repudiated.
B. Information obtained by this method is difficult to quantify.
C. It is an inefficient method of gathering evidence.
D. Limited information can be gathered with this method.

Answer: A

Question: 399

During the preliminary survey of the procurement department, an internal auditor noted a major control weakness in the organization's ordering and receiving process. According to IIA guidance, which of the following is the most appropriate action the internal auditor should take?

A. Issue a final report on the control weakness to senior management.
B. Bring the control weakness to the attention of the process owner for resolution.

C. Note the control weakness for discussion during the exit meeting.

D. Carry out an investigation of the control weakness for disciplinary action.

Answer: B

Question: 400

An organization does not have a formal risk management function. According to the Standards, which of the following are conditions where the internal audit activity may provide risk management consulting?

There is a clear strategy and timeline to migrate risk management responsibility back to management.

The internal audit activity has the final approval on any risk management decisions.

The internal audit activity gives objective assurance on all parts of the risk management framework for which it is responsible.

The nature of services provided to the organization is documented in the internal audit charter.

A. 1 and 4 only.

B. 2 and 4 only.

C. 1 and 3 only.

D. 2 and 3 only.

Answer: A

Question: 401

Which of the following is the primary weakness of internal control questionnaires (ICQs)?

A. ICQs do not allow for open-ended questions.

B. ICQs do not allow for evaluating multiple locations.

C. ICQs require significant auditor follow-up, as different managers may give different responses.

D. ICQ respondents have incentives to answer that there are internal controls in place.

Answer: D

Question: 402

Following an IT systems audit, management agreed to implement a specific control in one of the IT systems. After a period, the internal auditor followed up and learned that management had not implemented the agreed management action due to the decision to move to another IT system that has built-in controls, which may address the risks highlighted by the internal audit. Which of the following is the most appropriate action to address the outstanding audit recommendation?

A. The auditor examines the system documentation of the new system to verify that the risk has been addressed in the new system, then reports to senior management the closure of the issue.
B. The auditor accepts management's explanation that the previously identified issue is adequately addressed by the new IT system, as management understands the concern and is most knowledgeable about the new system, and closes the outstanding issue.
C. The auditor advises management that replacing the IT system does not dismiss the prior obligation to implement the agreed action plan, and escalates the issue to senior management and the board.
D. The auditor requires management to provide details regarding the process for selecting the new IT system and whether other systems were evaluated, and closure of the issue would depend on the new information provided.

Answer: A

Question: 403

When reviewing workpapers, engagement supervisors may ask for additional evidence or clarification via review notes. According to IIA guidance, which of the following statements is true regarding the engagement supervisor's review notes?

A. The review notes may be cleared from the final documentation once the engagement supervisor's concerns have been addressed.
B. Management of the area under review must address the engagement supervisor's review notes before the audit report can be finalized.
C. The chief audit executive must initial or sign the engagement supervisor's review notes to provide evidence of appropriate engagement supervision.
D. Review notes provide documented proof that the engagement is supervised properly and must be retained for the quality assurance and improvement program.

Answer: A

Question: 404

Flowcharts are useful during audit planning because they contain information that may help internal auditors with which of the following?

A. Understanding management's risk tolerance.
B. Understanding business processes.
C. Determining the size of the audit team needed to perform the review.
D. Understanding organizational objectives.

Answer: B

Question: 405

Which of the following activities demonstrates an example of the chief audit executive performing residual risk assessment?

A. Cost-benefit analysis of management not implementing a recommendation to address an observation.
B. Inquiry of corrective action to be completed within a certain period.
C. Reporting the status of every observation for every engagement in a detailed manner.
D. Soliciting management's feedback after completion of the audit engagement.

Answer: A

Question: 406

When determining the level of staff and resources to be dedicated to an assurance engagement, which of the following would be the most relevant to the chief audit executive?

A. The overall adequacy of the internal audit activity's resources.
B. The availability of guest auditors for the engagement.
C. The number of internal auditors used for the previous review of the same area.
D. The available resources with the specific skill set required.

Answer: D

Question: 407

An internal audit activity plans its engagements based on an organization-wide risk assessment. According to IIA guidance, which of the following statements is true regarding the required frequency of the risk assessment?

A. The risk assessment must be performed at least quarterly.
B. The risk assessment must be performed at least annually.
C. The risk assessment must be performed at least once every five years, in alignment with the internal audit activity's quality assurance and improvement program.
D. There is no specific requirement; a risk assessment should be performed as needed to account for changes in the business environment.

Answer: D

Question: 408

According to IIA guidance, which of the following describes the primary reason the chief audit executive (CAE) should actively network and build relationships with senior management and the

board?

A. To fulfill the CAE's responsibility to keep the board appropriately informed.
B. To expand the CAE's understanding of management issues.
C. To help maintain the objectivity of the internal audit activity.
D. To increase opportunities to demonstrate the internal audit activity performance.

Answer: A

Question: 409

According to IIA guidance, which of the following statements is true regarding engagement planning?

A. For both assurance and consulting engagements, planning typically occurs after the engagement objectives and scope have already been determined.

B. The expectations and objectives of an assurance engagement are usually determined by, or in conjunction with, the engagement client.

C. Internal auditors may not need to complete a preliminary risk assessment for a consulting engagement as they would when planning an assurance engagement.

D. For both consulting and assurance engagements, internal auditors usually form the engagement objectives prior to completing the preliminary risk assessment.

Answer: C

Question: 410

An organization's healthcare insurance costs have been rising approximately 10 percent per year for several years. Which of the following analytical review procedures would best evaluate the reasonableness of the increase in healthcare costs?

A. Develop a comparison of the costs incurred with similar costs incurred by other organizations.

B. Obtain the government index of healthcare costs for the comparable period of time and compare the rate of increase with that of the cost per employee incurred by the organization.

C. Obtain a bid from another healthcare administrator to provide the same administrative services as the current healthcare administrator.

D. Review all claims and compare with appropriate procedures to ensure that overpayments have not occurred.

Answer: B

Question: 411

The internal audit activity plans to assess the effectiveness of management's self-assessment activities regarding the risk management process. Which of the following procedures would be most appropriate to accomplish this objective?

A. Review corporate policies and board minutes for examples of risk discussions.

B. Conduct interviews with line and senior management on current practices.

C. Research and review relevant industry information concerning key risks.

D. Observe and test control and monitoring procedures and related reporting.

Answer: D

Question: 412

According to IIA guidance, which of the following objectives was most likely formulated for a nonassurance engagement?

A. The internal audit activity will assess the effects of changes in maintenance strategy on the availability of production equipment.

B. The internal audit activity will inform management on the possible risks of moving the data warehouse to a cloud server maintained by a third party.

C. The internal audit activity will ascertain whether the data center security arrangements are compliant with agreed terms.

D. The internal audit activity will ensure equipment downtime risks have been managed in accordance with internal policy.

Answer: B

Question: 413

An audit reveals that a manager's spouse is receiving paychecks, but is not employed by the organization. According to IIA guidance, which of the following actions should the internal auditor take?

A. Contact the external auditor and provide all relevant documentation.

B. Report the finding to senior management in a timely manner, following the normal chain of command.

C. Meet with the local manager to obtain more information on the finding before taking further action.

D. Bypass the normal chain of command and contact the board directly to report the finding.

Answer: B

Question: 414

Senior IT management requests the internal audit activity to perform an audit of a complex IT are a. The chief audit executive (CAE) knows that the internal audit activity lacks the expertise to perform the engagement. Which of the following is the most appropriate action for the CAE to take?

A. Decline the audit engagement, because the Standards prohibit internal auditors from performing engagements where they lack the necessary competencies.

B. Accept the audit engagement and use the engagement as an opportunity to develop the audit team's IT expertise while performing the audit work.

C. Temporarily hire an experienced and knowledgeable IT analyst from the organization's IT department to lead the audit.

D. Outsource the audit engagement to a reputable IT audit consulting firm.

Answer: D

Question: 415

Which of the following is the advantage of using internal control questionnaires (ICQs) as part of a preliminary survey for an engagement?

A. ICQs provide testimonial evidence.
B. ICQs are efficient.
C. ICQs provide tangible evidence to be quantified.
D. ICQs put observations into perspective.

Answer: B

Question: 416

Which of the following would help the internal audit activity assess compliance with the organization's standard operating procedures for bank deposits during a preliminary survey?

A. Issue an internal control questionnaire to select branch customers.
B. Issue an internal control questionnaire to the president of the organization.
C. Issue an internal control questionnaire to the director of bank operations.
D. Issue an internal control questionnaire to select branch managers.

Answer: D

Question: 417

According to IIA guidance, which of the following best describes the purpose of a planning memorandum for an audit engagement?

A. It documents the audit steps and procedures to be performed.
B. It documents preliminary information useful to the audit team.
C. It documents events that could hinder the achievement of process objectives.
D. It documents existing measures that manage risks in the area under review.

Answer: B

Question: 418

The internal audit activity is planning an assurance engagement for a foreign subsidiary. According to IIA guidance, which of the following would be included in the preliminary communication to management of the area under review?

A. The scope of the engagement, the estimated time frame, and the names of the auditors.
B. The estimated time frame, the names of the auditors, and the resources and travel budget.
C. The names of the auditors, the resources and travel budget, and the scope of the engagement.
D. The resources and travel budget, the scope of the engagement, and the estimated time frame.

Answer: A

Question: 419

Which of the following best describes why an internal audit activity would consider sending written preliminary observations to the audit client?

A. Written observations allow for more interpretation.
B. Written observations help the internal auditors express the significance.

C. Written and verbal observations are equally effective.

D. Written observations limit premature agreement.

Answer: B

Question: 420

An internal auditor completed a consulting engagement covering a recent advertising campaign. The audit client asked the auditor to forward a copy of the report to one of the three advertising agencies used by the organization. According to IIA guidance, which of the following statements is true regarding this request?

A. The internal auditor may communicate the results to the advertising agency as instructed by the audit client, with approval from the chief audit executive.

B. The internal auditor may not communicate the results to this external party regardless of the engagement client's instruction.

C. The internal auditor may send the report and is required to include instructions for the advertising agency to limit further distribution and the use of results.

D. The internal auditor may only communicate the results verbally to the advertising agency and should not provide a hard copy.

Answer: A

Question: 421

The internal audit activity is currently working on several engagements, including a consulting engagement on the management process in the human resources department. Which of the following actions should the chief audit executive take to most efficiently and effectively ensure the quality of the engagement?

A. Assign an experienced manager to monitor the whole engagement process.

B. Employ fieldwork peer review to enhance the work quality.

C. Require internal auditors to follow a standardized work program.

D. Personally supervise the engagement.

Answer: B

Question: 422

An internal auditor performed a test of controls and found that a statistically selected representative sample of recorded transactions within the account receivables ledger had an error rate that was within management expectations. The associated revenue account was outside the scope of the audit engagement. How should the conclusion to this engagement be reported?

A. The auditor should state that the error rate was within the selected confidence level.
B. Negative assurance should be provided, as the associated revenue account was not examined.
C. The auditor should state that controls over the recording of transactions in the revenue account are operating effectively.
D. Positive assurance could be provided for the effectiveness of the accounts receivable controls.

Answer: D

Question: 423

According to IIA guidance, how should an internal auditor apply any relevant information obtained from an internal consulting engagement during a related internal audit engagement?

A. Document any facts obtained and include them as part of the audit engagement workpapers.
B. Rely upon the information to draw conclusions about the effectiveness of controls.
C. Use the knowledge obtained to evaluate the effectiveness of internal control processes.
D. Objectivity requires that this information should not be used in any part of the audit engagement.

Answer: C

Question: 424

Which of the following best describes the guideline for preparing audit engagement workpapers?

A. Workpapers should be understandable to the auditor in charge and the chief audit executive.
B. Workpapers should be understandable to the audit client and the board.
C. Workpapers should be understandable to another internal auditor who was not involved in the engagement.
D. Workpapers should be understandable to external auditors and regulatory agencies.

Answer: C

Question: 425

Which of the following is most likely the subject of a periodic report from the chief audit executive to the board?

A. A complete, accurate, and comprehensive account of engagement observations and recommendations.
B. Oversight of the coordination between the internal audit activity and independent outside auditors.
C. The internal audit activity's purpose, authority, responsibility, and performance relative to plan.
D. Management's assertions regarding the system of internal controls.

Answer: C

Question: 426

A bakery chain has a statistical model that can be used to predict daily sales at individual stores based on a direct relationship to the cost of ingredients used and an inverse relationship to rainy days. What conditions would an auditor look for as an indicator of employee theft of food from a specific store?

A. On a rainy day, total sales are greater than expected when compared to the cost of ingredients used.
B. On a sunny day, total sales are less than expected when compared to the cost of ingredients used.
C. Both total sales and cost of ingredients used are greater than expected.
D. Both total sales and cost of ingredients used are less than expected.

Answer: A

Question: 427

Which of the following approaches to understanding business processes is conducted from a broad organizational perspective and has the greatest risk of overlooking processes that are ultimately critical?

A. Process narrative.
B. Process mapping.
C. Bottom-up.
D. Top-down.

Answer: D

Question: 428

An internal auditor has discovered that duplicate payments were made to one vendor. Management has recouped the duplicate payments as a corrective action. Which of the following describes management's action in this case?

A. A condition-based action plan.
B. A cause-based action plan.
C. A root cause-based action plan.
D. An effect-based action plan.

Answer: D

Question: 429

Which of the following is most appropriate for internal auditors to do during the internal audit recommendations monitoring process?

A. Report the monitoring status to senior management when requested.
B. Assist management with implementing corrective actions.
C. Determine the frequency and approach to monitoring.
D. Include all types of observations in the monitoring process.

Answer: C

Question: 430

During the review of an organization's retail fraud deterrence program, an employee mentions that an expensive fraud surveillance information system is rarely used. The internal auditor concludes that additional staff are required to properly utilize the system to its full potential. According to IIA guidance, which criteria for evidence is most lacking to reach this conclusion?

A. Sufficiency.
B. Reliability.

C. Relevancy.
D. Usefulness.

Answer: A

Question: 431

Which of the following is an advantage of utilizing an external fraud specialist in a suspected fraud investigation?

A. Increased access to the organization’s employees.
B. Increased ability to preserve evidence and the chain of command.
C. Increased ability to scrutinize the organization's key business processes.
D. Increased access to the organization’s software and proprietary data.

Answer: B

Question: 432

A senior IT auditor is performing an audit of inventory valuation. The auditor misinterprets the sampling results. Which of the following best describes this situation?

A. Sampling risk.
B. Control risk.
C. Nonsampling risk.
D. Residual risk.

Answer: C

Question: 433

Which type of assurance engagement is conducted to determine whether a process or area is performing as intended, accomplishing its objectives, and doing so in an efficient and economical way?

A. Compliance audit.
B. Operational audit.
C. Financial audit.
D. Provider audit.

Answer: B

Question: 434

According to IIA guidance, which of the following statements is true regarding audit workpapers?

A. Review notes on audit workpapers must be retained to provide a record of questions raised by the reviewer.
B. Audit workpaper documentation policies are reviewed and approved by the audit committee.
C. Management of the department being audited should review the prepared workpapers for accuracy.
D. Audit workpaper preparation contributes to the professional development of the internal audit staff.

Answer: D

Question: 435

According to IIA guidance, which of the following statements about analytical procedures is true?

A. Analytical procedures compare information against expectations.
B. Analytical procedures begin after the engagement's planning phase.
C. Analytical procedures provide internal auditors with explainable results.
D. Analytical procedures are computer-assisted audit techniques.

Answer: A

Question: 436

According to IIA guidance, which of the following typically serves as the basis for an engagement work program?

A. Past audit findings.
B. Scope and audit objectives.

C. Techniques and resources.
D. Stakeholders' expectations.

Answer: B

Question: 437

According to the International Professional Practices Framework, which of the following is an appropriate reason for issuing an interim report?

To keep management informed of audit progress when audit engagements extend over a long period of time.
To provide an alternative to a final report for limited-scope audit engagements.
To communicate a change in engagement scope for the activity under review.

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

Answer: B

Question: 438

An internal auditor is using computer-assisted audit techniques to examine employee expenses across several divisions of the organization. Which of the following is true in this situation?

A. The data from various sources should remain segregated for easier analysis and discovery of anomalies.
B. Fraud detection techniques should be performed against full data populations.
C. A reactive approach is best suited for fraud detection due to the effectiveness of tips and whistleblowing programs.
D. Random sampling is an effective method of detecting fraudulent transactions.

Answer: B

Question: 439

Which of the following is the next step in understanding a business process once an internal auditor

has identified the process?

A. Determine process outputs.
B. Determine process inputs.
C. Determine process activities.
D. Determine process goals.

Answer: D

Question: 440

Which of the following offers the best explanation of why the auditor in charge would assign a junior auditor to complete a complex part of the audit engagement?

A. The senior auditors are unavailable, as they are currently working on other portions of the engagement.
B. The auditor in charge believes that the junior auditor should obtain a specific type of experience.
C. The audit engagement has a tight deadline and the work must be completed timely.
D. The auditor in charge is unable to identify audit staff with all of the required skills needed to complete the engagement.

Answer: B

Question: 441

Which of the following sources of audit evidence is most reliable?

A. Evidence obtained directly from an untested third party.
B. Uncorroborated audit evidence obtained indirectly from an employee.
C. Undocumented audit evidence obtained directly from a manager.
D. Timely audit evidence obtained directly from a customer.

Answer: D

Question: 442

Which of the following would most likely form part of the engagement scope?

A. Potential legislation on privacy topics will be employed as a compliance target. B. Wire transfers that exceeded $10,000 in the last 12 months will be analyzed. C. Both random and judgmental samplings will be used during the engagement. D. The probability of significant errors will be considered via risk assessment.

Answer: B

Question: 443

While reviewing the workpapers and draft report from an audit engagement, the chief audit executive (CAE) found that an important compensating control had not been considered adequately by the audit team when it reported a major control weakness. Therefore, the CAE returned the documentation to the auditor in charge for correction. Based on this information, which of the following sections of the workpapers most likely would require changes?

Effect of the control weakness.
Cause of the control weakness.
Conclusion on the control weakness.
Recommendation for the control weakness.

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

Answer: C

Question: 444

According to IIA guidance, which of the following should be a primary objective for an internal auditor who is conducting an exit conference?

A. Improve relations with the engagement clients.
B. Present the final engagement communication.
C. Identify concerns for future audit engagements.
D. Ensure the accuracy of engagement conclusions.

Answer: D

Question: 445

Which of the following actions is the most appropriate response for an internal auditor to take when a significant risk is identified during a consulting engagement?

A. Report the risk identified from the consulting engagement to senior management.
B. Do not include the risk in the assessment of risk management processes, as that is management's responsibility.
C. Do not report the risk, as it is out of scope for the consulting engagement.
D. Include the risk identified from the consulting engagement in the next annual risk assessment only if it is part of the consulting engagement objectives.

Answer: A

Question: 446

Which of the following is a true statement regarding the use of flowcharts as an audit tool?

A. Flowcharts are typically not well suited to support information provided by a risk and control matrix.
B. Flowcharts are preferred to narratives, as they can provide much greater detail on the design and operation of a process.
C. Flowcharts are best applied to linear process flows but cannot address all risks related to the process.
D. Flowcharts describe process steps but cannot provide the level of detail needed to adequately assess the design of the process.

Answer: C

Question: 447

The audit plan requires a review of the testing procedures used in pre-production of a large information system prior to its live launch. If the chief audit executive (CAE) is uncertain that the current audit team has all the required knowledge to conduct the engagement, which of the following would be the most appropriate course of action for the CAE to take to preserve independence?

A. Contract with the software vendor to provide an appropriate resource.
B. Ask for a knowledgeable resource from the IT department.
C. Make use of an external service provider.
D. Request audit resources through the external auditor.

Answer: C

Question: 448

Which of the following internal audit activity staffing models has the disadvantage that auditors are always new and in training?

A. Career model.
B. Center of competence model.
C. Rotational model.
D. Hybrid model.

Answer: C

Question: 449

Which of the following is an example of a properly supervised engagement?

A. Auditors are asked to keep a daily record of their activity for review by the auditor in charge following the engagement.
B. The senior internal auditor requires each auditor to review and initial colleagues' workpapers for completeness and format.
C. A new internal auditor is accompanied by an experienced auditor during a highly sensitive fraud investigation.
D. The auditor in charge provides reasonable assurance that engagement objectives were met.

Answer: D

Question: 450

During a review of the organization's waste management processes, the internal auditor discovered that wastewater is being disposed of inappropriately. The auditor's recommendations, suggested to mitigate the risk of regulatory sanctions and reputational damages, were accepted and timelines for implementation were agreed. However, during the internal audit activity's periodic follow-up exercise, management indicated that the recommendation was too expensive to implement and the

current disposal method has been cost-effective. What should the chief audit executive do in this case?

A. Nothing, as the internal audit activity has fulfilled its responsibility of providing recommendations to mitigate the risks to which the organization is exposed.
B. Contact the regulatory agency responsible for monitoring such matters in order to convince management to implement the recommendations.
C. Convene a meeting with senior management and discuss the issue and the potential impact it may have on the organization.
D. Highlight the current exposure to the external auditors so they too can highlight the issue and further pressure management to address the concern.

Answer: C

Question: 451

Which of the following methodologies consists of the internal auditor holding individual meetings with different people, asking them the same questions, and aggregating the results?

A. Facilitated workshops.
B. Surveys.
C. Structured interviews.
D. Elicitation.

Answer: C

Question: 452

Which phase of an audit engagement is typically the most effective time for an internal auditor to develop a risk and control matrix?

A. When preparing to recap audit test results.
B. At sample selection, to determine sampling methodology.
C. At the start of fieldwork, as part of developing the annual audit plan.
D. At planning, to assist in developing the engagement work program.

Answer: D

Question: 453

The internal audit activity has requested that new vendor information be summarized once per week in a single report, and that all invoices each week for these vendors be automatically flagged in the invoice processing system. Which of the following computerized audit techniques is the internal audit activity most likely applying?

A. Enabling continuous auditing.
B. Employing generalized audit software.
C. Facilitating electronic workpapers.
D. Using machine learning.

Answer: A

Question: 454

Which of the following is critical to the success of an effective interview?

A. Present audit evidence and information to support the internal auditor’s line of questioning.
B. Establish credibility, trust, and rapport.
C. Develop flowcharts and review them with the interviewee.
D. Observe the process and discuss it with the interviewee.

Answer: B

Question: 455

Which of the following is essential for ensuring that the internal audit activity's findings and recommendations receive adequate consideration?

A. Reporting results of audits with recommendations to management.
B. Providing formal follow-up procedures to ensure that management complies with an action plan or accepted risk

of not taking action.

C. Reporting quarterly to management that the audit plan is focused on higher exposures of risk.
D. Discussing audit findings with independent auditors.

Answer: B

Question: 456

According to IIA guidance, which of the following steps should precede the development of audit engagement objectives?

A. Identification of controls.
B. Scope establishment.
C. Risk assessment.
D. Review of resources.

Answer: C

Question: 457

According to IIA guidance, which of the following activities are typically primary objectives of engagement supervision?

A. Enable training and development of staff, identify engagement objectives, and assign responsibilities to individual auditors.
B. Identify engagement objectives, assign responsibilities to individual auditors, and approve the engagement program.
C. Assign responsibilities to individual auditors, approve the engagement program, and enable training and development of staff.
D. Approve the engagement program, enable training and development of staff, and identify engagement objectives.

Answer: B

Question: 458

An internal auditor completed a test of 30 randomly selected accounts. For five of the accounts selected, the auditor was unable to find supporting documentation in the normal place of storage. Which of the following next steps would be most appropriate for the internal auditor to take?

A. Conclude that the test failed because at least 17 percent of the sample items were not supported.
B. Select five new accounts to replace the ones that were missing supporting documentation.
C. Expand the sample size to 60 to determine whether the error rate remains the same.
D. Contact management to determine whether the supporting documentation can be located elsewhere.

Answer: D

Question: 459

According to the theory of constraints, which of the following is most influenced by various bottlenecks the organization encounters?

A. Manufacturing.
B. Profitability.
C. Overheads.
D. Quality.

Answer: B

Question: 460

Which of the following internal audit activities is performed in the design evaluation phase?

A. The internal auditor reviews prior audits and workpapers.
B. The internal auditor identifies the controls over segregation of duties.
C. The internal auditor checks a process for completeness.
D. The internal auditor communicates the audit results to management.

Answer: B

Question: 461

If there is a significant error or omission in the final audit report that was communicated to management, which of the following is the key action for the internal audit activity?

A. Communicate the corrected information to the manager of the audited department.
B. There should be a follow-up audit to address the error or omission.
C. The auditor should update the scope of the audit to include the omission.
D. The corrected communication should be redistributed to the original recipients.

Answer: D

Question: 462

Which of the following would be the most reliable source of documentary evidence?

A. Confirmation letters.
B. Remittance advices.
C. Policy statements.
D. Canceled checks.

Answer: A

Question: 463

In addition to gathering information, which of the following is a primary objective of a client interview conducted during the planning stage of an audit engagement?

A. To obtain sufficient audit evidence.
B. To test the client's knowledge.
C. To agree on the auditor's scope of authority.
D. To establish rapport.

Answer: D

Question: 464

An internal audit activity has to confirm the validity of the activities reported by a grantee that received a charitable contribution from the organization. Which of the following methods would best help meet this objective?

A. Visiting the grantee to assess whether the execution of the project was in line with the defined grant scope.
B. Verifying that the grantee's final report is in line with what was depicted in the initial budget request.
C. Reconciling general ledger accounts used by management of the area under review for reflecting expenses on charitable contributions.
D. Interviewing employees of the corporate affairs department, which is responsible for charitable activities.

Answer: A

Question: 465

An examination of the accounts payable function evidenced multiple findings with respect to segregation of duties. After management's response and action plan are received and documented in the final report, which of the following is most appropriate?

A. Follow up after the applicable changes have been incorporated to validate management's response.
B. Include the items in the scope of the next scheduled audit of the accounts payable function.
C. Because management agreed with the findings, no further action is deemed necessary.
D. Have an internal audit staff member placed into the accounting department until corrections are made.

Answer: A

Question: 466

Internal auditors map a process by documenting the steps in the process, which provides a framework for understanding. Which of the following is a reason to use narrative memoranda?

A. To create a detailed risk assessment.
B. To identify individuals who perform key roles.
C. To explain a simple process.
D. To document which outputs support other activities.

Answer: C

Question: 467

An internal auditor plans to conduct a walk-through to evaluate the control design of a process. Which of the following techniques is the auditor most likely to use?

A. Observation and inspection.
B. Inquiry and observation.
C. Inspection and reperformance.
D. Inquiry and reperformance.

Answer: B

Question: 468

Which of the following should the chief audit executive do when evaluating the possibility of relying on external auditors' work?

A. Perform comprehensive background checks on all independent auditors on the engagement.
B. Recalculate all financial calculations to confirm competency.
C. Examine objectivity and any perceived or actual conflicts of interest.
D. Review audit tests employed in all previous audits.

Answer: C

Question: 469

An internal auditor discovered that equipment used to monitor air quality was not maintained according to the established maintenance schedule. If the issue is not addressed, the equipment may not provide accurate information on pollutant levels, which could result in regulatory sanctions and reputational damage. The auditor discussed the issue with both the manager in charge and the CEO, who explained that they understand the risk, but it has become too expensive to maintain the equipment as scheduled. In this situation, what should the chief audit executive do?

A. Add value to the organization by taking initiative and implementing corrective actions to mitigate the identified risks.
B. Communicate to the board the current situation, including the risk exposure to the organization. C. Discuss the matter with external auditors and request that they persuade management to address the issue.
D. Contact the regulatory agency and inform them of the risk exposure.

Answer: B

Question: 470

Which of the following statistical sampling approaches is the most appropriate for testing a population for fraud?

A. Discovery sampling.
B. Stop-or-go sampling.
C. Haphazard sampling.
D. Stratified attribute sampling.

Answer: A

Question: 471

The chief audit executive (CAE) is developing a workpaper preparation policy for a new internal audit activity. The CAE wants to ensure that all workpapers relate directly to the engagement objectives. Which of the following statements should be included in the policy specifically to address this concern?

A. The workpapers should be understandable.
B. The workpapers should be relevant.
C. The workpapers should be economical.
D. The workpapers should be complete.

Answer: B

Question: 472

Following an audit, management developed an action plan to improve controls over the handling of scrap metal. Which of the following would be the most appropriate course of action for the auditor to follow up?

A. Conduct another audit engagement to ensure all risks related to the sales of scrap metal have been mitigated.
B. Ensure new procedures have been documented, approved, and distributed to the employees responsible.
C. Perform retesting to confirm that new procedures address the previously identified deficient control activities.
D. Analyze the new procedures, then report to senior management whether the associated risks have been managed.

Answer: C

Question: 473

What is the primary reason that audit supervision includes approval of the engagement report?

A. To ensure the objectives of the area under review are met.
B. To ensure senior management supports the report's conclusions.
C. To ensure report style and grammar are appropriate.
D. To ensure report findings are substantiated.

Answer: D

Question: 474

What information would be most useful to an internal auditor who is attempting to identify specific processes to include in the scope of an assurance engagement?

A. Recent organizationwide recognition awards given to employees within the area.
B. The timing of the most recent audit of the area.
C. Management's presentation to the board regarding recent area achievements.
D. Recent area performance indicators against productivity metrics.

Answer: D

Question: 475

Senior management is challenging regulatory fines that were assessed to the organization due to questionable business practices. Their actions and the fines could have an adverse effect on the organization's ability to continue business. How would the chief audit executive respond?

A. Assume responsibility for quantifying and minimizing the residual risks to the organization.
B. Assess the level of financial risks that may affect the organization's stability.
C. Inform the regulatory agency about senior management's action and seek guidance.
D. Proceed with a consulting engagement to benchmark similar organizations' business practices in the region.

Answer: B

Question: 476

According to IIA guidance, which of the following is a limitation of a heat map?

A. Impact cannot be represented on a heat map unless it is quantified in financial terms.
B. Impact and likelihood at times cannot be differentiated as to which is more important.
C. A heat map cannot be used unless a risk and control matrix has been developed.
D. Qualitative factors cannot be incorporated into a heat map.

Answer: B

Question: 477

During audit engagement planning, an internal auditor is determining the best approach for leveraging computer-assisted audit techniques (CAATs). Which of the following approaches maximizes the use of CAATs and why?

A. Tracing, because it would enable the auditor to verify quickly that the record counts were properly included in the compilation.

B. Inspection, because it would enable the auditor to verify how management enters the data into the application for processing.

C. Testing data, because it would enable the auditor to ensure that the application processes the transaction as described by management.

D. Reperformance, because it enables the auditor to verify that the application performed the calculation correctly.

Answer: D

Question: 478

Which of the following statements is true regarding risk assessments, including the evaluation and prioritization of risk and control factors?

A. A risk-by-process matrix enables the user to determine associations between any of the processes and the risks.

B. The risk-factor approach for linking business processes and risks is more direct than the use of a risk-by-process matrix.

C. Internal risk factors are built into the environment and the nature of the process itself.

D. A risk map is used primarily to depict which risks will be reduced and which will be shared.

Answer: A

Question: 479

Which of the following statements is true regarding engagement planning?

A. The scope of the engagement should be planned according to the internal audit activity’s budget and then aligned to the risk universe.

B. The audit engagement objectives should be based on operational management's view of risk objectives.

C. The planning phase of the engagement should be completed and approved before the fieldwork of the engagement begins.

D. The main purpose of the engagement work program is to determine the nature and timing of procedures required to gather audit evidence.

Answer: C

Question: 480

Which of the following actions should the chief audit executive take when senior management decides to accept risks by choosing to do business with a questionable vendor?

A. Persuade senior management to take appropriate action.
B. Cancel issuing the engagement report due to the assumed risks.
C. Accept senior management's assumption of the risks.
D. Discuss the issue with the board for them to take appropriate action.

Answer: D

Question: 481

The internal audit activity needs to review the information security function but does not have the IT expertise needed for the engagement. Which of the following actions should the chief audit executive take to ensure the internal audit activity conforms with the Standards?

A. Assign the engagement to a staff auditor and closely review his work and report.
B. Assign the engagement to a senior auditor, who carefully researches and studies the company's IT infrastructure.
C. Contract an external service provider auditor with the experience necessary to perform the audit.
D. Perform the audit herself and work closely with the information security function to obtain expertise in the area.

Answer: C

Question: 482

Which of the following steps should an internal auditor complete when conducting a review of an electronic data interchange application provided by a third-party service?

Ensure encryption keys meet ISO standards.

Determine whether an independent review of the service provider's operation has been conducted.

Verify that the service provider’s contracts include necessary clauses.

Verify that only public-switched data networks are used by the service provider.

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

Answer: C

Question: 483

Which of the following is an advantage of nonstatistical sampling over statistical sampling?

A. Nonstatistical sampling provides more objective recommendations for management.
B. Nonstatistical sampling provides an opportunity to select the minimum sample size required to satisfy the objectives of the audit tests.
C. Nonstatistical sampling provides for the use of subjective judgment in determining the sample size.
D. Nonstatistical sampling permits the auditor to specify a level of reliability and the desired degree of precision.

Answer: C

Question: 484

The internal audit activity of an insurance company is reviewing six of the company’s 11 branches. During the review of the fourth branch that was selected, the internal audit team discovered control breaches that could result in regulatory sanctions if not addressed. How should the internal audit team proceed?

A. Communicate immediately to the relevant regulatory agency the information regarding the company's control breaches along with details of recommended corrective actions to address the issue.
B. Complete the branch reviews, ensure that the issue and impact are adequately detailed in the audit report, hold an exit meeting to discuss the issue with branch management, and provide recommendations for corrective actions.
C. Have a discussion with branch management on the matter and recommend in an interim audit report that management take appropriate corrective action in order to address the current identified issues.
D. Expand the audit to include the branches that were not previously selected and determine whether there are similar control breaches at those branches prior to compiling a comprehensive audit report and reporting the issue to senior management and the board.

Answer: C

Question: 485

An internal auditor at a bank informed the branch manager of a malfunctioning lock on one of the vaults. The risk associated with this issue was deemed significant by the chief audit executive (CAE), and immediate remediation was recommended. However, during a follow-up engagement, the branch manager told the CAE that the risk was actually not significant, hence no action was taken. What is the most appropriate next step for the CAE?

A. Inform senior management that the branch manager decided to cancel the committed action plan without any previous communication.

B. Discuss the issue with the board, which has ultimate responsibility to resolve this risk.

C. Have another discussion with the branch manager, attempt to change his view, and encourage him to implement the recommendations.

D. Document the branch manager's decision to accept the risk; otherwise, no other specific course of action is required.

Answer: A

Question: 486

Which of the following statements is true regarding internal controls?

A. For assurance engagements, internal auditors should plan to assess the effectiveness of all entitylevel controls.

B. Poorly designed or deficient entity-level controls can prevent well-designed process controls from working as intended.

C. During engagement planning, internal auditors should not discuss the identified key risks and controls with management of the area under review, to prevent tipping off probable audit tests. D. Reviewing process maps and flowcharts is an appropriate method for the internal auditor to identify all key risks and controls during engagement planning.

Answer: B

Question: 487

Which of the following is an example of a compliance assurance engagement?

A. Providing in-house training to senior management regarding applicable laws and regulations. B. Providing an assessment of the design adequacy of controls related to consumer privacy and confidentiality.

C. Providing an assessment of customer satisfaction with customer service provided by the organization.

D. Providing testing on the operating effectiveness of controls over the reliability of financial reporting.

Answer: B

Question: 488

The internal audit manager has been delegated the task of preparing the annual internal audit plan for the forthcoming fiscal year. All engagements should be appropriately categorized and presented to the chief audit executive for review. Which of the following would most likely be classified as a consulting engagement?

A. Evaluating procurement department process effectiveness.
B. Helping in the design of the risk management program.
C. Assessing financial reporting control adequacy.
D. Reviewing environmental, social, and governance reporting compliance.

Answer: B

Question: 489

According to IIA guidance, which of the following provides additional insight into errors, problems, missed opportunities, or noncompliance to improve the effectiveness and efficiency of an organization's control process?

A. Reperformance.
B. Vouching.
C. Independent confirmation.
D. Root cause analysis.

Answer: D

Question: 490

Which of the following engagements is likely to be most appropriate for an organization that is planning an acquisition?

A. A performance engagement.
B. A system security engagement.
C. A due diligence engagement.
D. A compliance engagement.

Answer: C

Question: 491

Which of the following would offer the strongest evidence to support the internal auditor's conclusion that a product is in stock, as stated in the accounting records?

A. The auditor performs an observation.
B. The vendor provides third-party confirmation.
C. The auditor documents interviews with multiple warehouse personnel.
D. Warehouse management submits photographs of the product on the inventory shelf.

Answer: A

Question: 492

During a previous audit engagement, an internal auditor recommended that management implement a whistleblowing process. During follow-up, the auditor discovered that the process has

been outsourced. Which of the following is the most appropriate response for the internal auditor?

A. Insist on establishing an internal whistleblowing process, as originally recommended, because this is a key control.
B. Review the agreement with the third-party service provider and ensure that appropriate controls are in place.
C. Raise the issue to a higher level of management, as outsourcing the process was not previously discussed or agreed upon.
D. Take no action, as management has accepted the risk of moving to a third party for this whistleblowing process.

Answer: B

Question: 493

The chief audit executive (CAE) of an organization has completed this year's risk-based audit plan and realized that current staff resources are insufficient to meet the needs of the plan. What course of action should the CAE take?

A. Amend the audit plan so that available audit resources are adequate to meet the plan's requirements.
B. Inform the board and senior management of the resources needed, as well as the associated risks. C. Communicate early to those unit managers whose areas would most likely not be able to get reviewed.
D. Get approval from human resources regarding overtime payment to be made in an effort to complete the audit plan.

Answer: B

Question: 494

While reviewing warehouse inventory records, an internal auditor noticed that the warehouse has a surprisingly high number of products in storage. Over the past three years, the auditor had visited this particular warehouse numerous times for previous engagements and remembered that the warehouse was rather small. The auditor then decided to compare the square footage of the warehouse to the recorded number of products in storage. The auditor's action is an example of which of the following?

A. Performing a reasonableness test.
B. Conducting a fraud investigation.
C. Conducting trend analysis.
D. Operating with impaired objectivity.

Answer: A

Question: 495

While reviewing the organization's financial year-end processes, an internal auditor discovered an erroneous journal entry. If the error is not addressed, it will result in a material misstatement of the financial records. The internal auditor needs an additional four weeks to complete the audit engagement. How should the auditor communicate this finding?

A. The auditor should issue an interim report to management prior to completion of the audit and issuance of the final report.
B. The auditor should include this item in the final audit report, marked with an asterisk, indicating that it is a high-risk item.
C. The auditor should discuss the finding with the appropriate accounting staff who can make the correction immediately, and if corrected before the engagement is concluded, the finding would not need to be included in the audit report.
D. The auditor is obligated to bypass management and immediately report the error directly to regulatory authorities.

Answer: C

Question: 496

An internal auditor selects a sample of paid invoices and matches them to receiving reports. What is the most likely purpose for this procedure?

A. To ensure all customer shipments are billed appropriately.
B. To ensure invoices are only paid for goods received.

C. To ensure all liabilities have been satisfied.
D. To ensure invoices are only paid for goods ordered.

Answer: B

Question: 497

an internal auditor to use when simulating transactions to test a billing application's processing integrity?

A. Generalized audit software.
B. Utility software.
C. Integrated test facilities.
D. Audit expert systems.

Answer: C

Question: 498

critical factor for the Chief Audit Executive (CAE) to consider to ensure management takes appropriate corrective action?

A. The organization's attitude to hierarchy.
B. The organization's whistleblowing strategy.
C. The organization's ongoing risk monitoring process.
D. The organization's risk management policy.

Answer: C

Question: 499

during the planning phase of an audit engagement?

A. To prepare for testing the effectiveness of controls.
B. To plan for evaluating potential losses.
C. To prepare a sampling plan for the engagement.
D. To evaluate the design of controls.

Answer: D

Question: 500

take when establishing engagement objectives during the planning phase of an audit?

A. Review the organizational structure, management roles and responsibilities, and operating procedures.
B. Evaluate management's risk assessment and the internal audit activity's risk assessment.
C. Assess process flow and control documents used to meet regulatory requirements.
D. Review meeting notes from discussions involving management of the area to be reviewed.

Answer: B

Question: 501

questionnaire (ICQ) be the most effective tool for an internal auditor to use?

A. The auditor wants to receive mid-level management insight on how to improve hiring practices. B. The auditor wants to obtain information on whether adherence to approval matrices is actually taking place in different maintenance units.

C. The auditor wants to gain assurance that inventory counts are conducted in accordance with established procedures.

D. The auditor wants to assess whether different subsidiaries apply centrally established procurement rules in the same manner.

Answer: D