IIA

Exam Questions IIA-CHAL-QISA

Qualified Info Systems Auditor CIA Challenge Exam

NEW QUESTION 1
According to IIA guidance, which of the following most appropriately justifies the CEO??s decision that the internal audit activity shall be responsible for risk management and Investigation at multinational organization?

A. The recommendation of the parent office external auditors.
B. The provisions of the internal audit charter.
C. The authority of the CEO.
D. The level of proficiency of the chief audit executive

Answer: B

Explanation:
Role of Internal Audit Charter: The internal audit charter is a formal document that defines the purpose, authority, and responsibility of the internal audit activity. It establishes the internal audit activity??s position within the organization, including the nature of the chief audit executive??s functional reporting relationship with the board.
CEO??s Decision Justification: According to IIA guidance, the internal audit activity can take on responsibilities related to risk management and investigation if it is defined within the internal audit charter. The charter must outline the scope of the internal audit activity, which can include risk management functions if approved by the board and senior management.
Authority and Proficiency: While the CEO has the authority to assign responsibilities, the decision must align with the provisions of the internal audit charter. The level of proficiency of the CAE and the recommendation of external auditors can support the decision but are not primary justifications.
IIA Standards: Standard 1000 – Purpose, Authority, and Responsibility – requires that the internal audit activity??s purpose, authority, and responsibility be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework.
References:
? The internal audit charter is the primary document that justifies the scope and responsibilities of the internal audit activity, including risk management and investigation roles. It ensures that such roles are formally acknowledged and authorized by the board and senior management.

NEW QUESTION 2
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 supervisors review notes?

A. The review notes may be cleared from the final documentation once the engagement supervisors concerns have been addressed
B. Management of the area under review must address the engagement supervisors review notes before the audit report can be finalized.
C. The chief audit executive must initial or sign the engagement supervisors 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

Explanation:
? Introduction:
? IIA Guidance on Review Notes:
? Options Analysis:
? Conclusion:
:IIA??s International Professional Practices Framework (IPPF).

NEW QUESTION 3
A multinational organization has asked the internal audit activity to assist in setting up the organization's risk management system The chief audit executive (CAE) agrees to take on the engagement as a consultant. Which of the following tasks is appropriate for the CAE to undertake?

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

Answer: A

Explanation:
Role of CAE as Consultant: The chief audit executive (CAE) can act as a consultant to help management establish a risk management system. Their role should be facilitative rather than directive, ensuring that management owns the risk management process. Appropriate Tasks:
? Risk Workshops: Coordinating and facilitating risk workshops (option A) helps
management identify and assess risks, allowing them to develop appropriate responses. This is a suitable task for the CAE.
? Risk Appetite and Indicators: Establishing risk appetite (option B) and setting risk
indicators and mitigation plans (option C) are management's responsibilities.
? Reporting Risks: Determining the number of significant risks to report (option D) should also be a management function.

NEW QUESTION 4
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

Explanation:
? Introduction:
? Limitations of Heat Maps:

? Options Analysis:
? Conclusion:
:Internal Audit Standards and Practice Guides .

NEW QUESTION 5
Who is responsible for ensuring internal auditors continuing professional development*

A. Individual internal auditors
B. Chief audit executive.
C. The board
D. Engagement supervisors

Answer: A

Explanation:
? Introduction:
? Responsibility for CPD:
? Options Analysis:
? Conclusion:
:IIA's Continuing Professional Education Requirements

NEW QUESTION 6
A corporate merger decision prompts the chief audit executive (CAE) to propose interm
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 for 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

Explanation:
Role of the CAE: The Chief Audit Executive (CAE) is responsible for developing a risk- based audit plan and ensuring it is aligned with the organization??s goals and emerging risks. Significant changes to the audit plan must be communicated appropriately within the organization.
IIA Standards:
? Standard 2020 – Communication and Approval: The CAE must communicate the internal audit plan and resource requirements, including significant interim changes, to senior management and the board for review and approval.
? Risk Assessment: Any changes to the audit plan due to emerging risks, such as a corporate merger, must be documented and approved at the highest levels to ensure comprehensive risk coverage.
Most Appropriate Action:
? Communication with the CEO: The CAE should first discuss the revised audit plan with the CEO to ensure alignment with executive management??s perspective on emerging risks.
? Board Approval: After discussing with the CEO, the CAE should present the revised audit plan to the board for formal approval, ensuring transparency and governance.
References:
? Presenting the revised audit plan to the board after discussing with the CEO ensures that all relevant stakeholders are informed and that the revised plan is formally approved, maintaining alignment with IIA standards.

NEW QUESTION 7
According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?
* 1. Consult on CSR program design and implementation
* 2. Serve as an advisor on CSR governance and risk management. 3.Review third parties for contractual compliance with CSR terms 4Identify and mitigate risks to help meet the CSR program objectives

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

Answer: B

Explanation:
According to the Institute of Internal Auditors (IIA) guidance, internal audit activities can encompass several aspects of evaluating corporate social responsibility (CSR) programs.
? Consulting on Design and Implementation: Internal auditors can provide valuable
insights into the design and implementation of CSR programs to ensure they are well-structured and aligned with organizational objectives.
? Advising on Governance and Risk Management: Serving as advisors, internal
auditors can help in establishing effective governance structures and identifying and managing risks associated with CSR initiatives.
? Mitigating Risks: By identifying and mitigating risks, internal auditors support the
achievement of CSR program objectives, ensuring these initiatives are both effective and sustainable.
? Reviewing Third Parties: While internal auditors may review third parties for
contractual compliance with CSR terms, this activity is more often part of broader compliance audits rather than a specific focus area for CSR evaluations.
References:
? "IIA Practice Guide: Auditing Corporate Social Responsibility," which outlines the role of internal auditors in CSR-related activities.

NEW QUESTION 8
Which of the following is most likely to impair the organizational independence of the internal audit activity?

A. The chief audit executive (CAE) reports administratively to the chief financial officer
B. The CAE oversees the effectiveness of the organization??s risk management function.
C. The CAE reports functionally to the CEO.
D. The CAE managed the finance department for the past five years.

Answer: D

Explanation:
? Impairment of Independence: The organizational independence of the internal audit activity can be impaired if the CAE has had significant roles in management, such as managing the finance department. This prior involvement may create a conflict of interest or perceived bias.
? IIA Standards on Independence: The IIA emphasizes the importance of independence and objectivity in internal auditing. Any prior management role, especially in the department being audited, can compromise the CAE's objectivity.
? Examples of Impairment:
: IIA Standard 1100 - Independence and Objectivity.

NEW QUESTION 9
According to IIA guidance, which of the following actions by the chief audit executive would best ensure that internal auditors demonstrate due professional care?

A. Developing policies and procedures for the internal audit activity
B. Ensuring the internal audit activity is not found fallible during audit engagements.
C. Undertaking all engagements that management requests of the internal audit activity.
D. Ensuring the internal audit activity reports functionally to the board of directors

Answer: A

Explanation:
? Professional Care:Ensuring that internal auditors demonstrate due professional care involves establishing clear policies and procedures that guide their activities.
? Guidance and Standards:These policies and procedures help ensure that the internal audit activity adheres to professional standards and best practices.
? Standard Compliance:According to the IIA??s Performance Standard 2040 – Policies and Procedures, the CAE must establish policies and procedures to guide the internal audit activity.
? Quality Assurance:Properly developed policies and procedures contribute to the overall quality and effectiveness of the internal audit activity, ensuring that engagements are conducted with due professional care.
References:
? IIA Standard 2040 – Policies and Procedures .

NEW QUESTION 10
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 budgetand then aligned to the risk universe.
B. The audit engagement objectives should be based on operational managements 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

Explanation:
Proper engagement planning is essential to ensure that the internal audit engagement is conducted effectively and efficiently.
Completing and approving the planning phase before starting the fieldwork ensures that all objectives, scope, resources, and methodologies are well-defined and agreed upon.
This preparation helps in aligning the engagement with the overall audit strategy and reduces the risk of scope changes or misalignments during fieldwork

NEW QUESTION 10
The internal audit activity is responsible for which of the following actions related to an organization??s internal controls9

A. Mitigating risks affecting achievement of organizational objectives.
B. Enabling opportunities affecting achievement of organizational objectives.
C. Analyzing and advising regarding costs versus benefits of control activities.
D. Attesting to fairness of financial statements

Answer: C

Explanation:
Internal audit activities include evaluating the effectiveness and efficiency of internal controls, and part of this process involves analyzing and advising on the cost-benefit relationship of control activities.
This function helps ensure that the internal controls in place are not only effective in mitigating risks but are also economically justified

NEW QUESTION 11
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: A

Explanation:
The planning memorandum serves as a comprehensive blueprint for an audit engagement, outlining the specific steps, procedures, and strategies that will be

employed to carry out the audit. According to IIA guidance, the purpose of this document is to ensure that the audit team is well-prepared and that the audit process is systematic and thorough.
? Documentation of Audit Steps and Procedures:The primary purpose of a planning
memorandum is to detail the steps and procedures that the audit team will follow. This ensures consistency and clarity throughout the audit process and provides a clear framework for team members to follow.
Reference:IIA's International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2201 – Planning Considerations, which states that the internal auditor must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.
Preparation and Coordination:It serves as a preparatory document that helps in coordinating the activities of the audit team, ensuring that everyone is aware of their roles and responsibilities.
Practical Example:If an audit is being conducted on the financial reporting processes, the planning memorandum would include specific procedures for testing internal controls over financial reporting, timelines for each phase of the audit, and responsibilities assigned to each team member.
Risk Management:While it includes information on preliminary risks, its main focus is on documenting the audit steps rather than managing risks or existing measures, which would be covered in other documents or sections of the audit plan.
Clarification:Options B, C, and D may include elements found within broader audit
planning, but the planning memorandum specifically focuses on the procedural roadmap.
Conclusion:The correct answer is A, as the planning memorandum's primary function is to document the audit steps and procedures to be performed, ensuring a structured and organized approach to the audit engagement.

NEW QUESTION 12
When using cost-volume-profit analysis, which of the following will increase operating income once the break-even point has been reached?

A. Fixed costs per unit for each additional unit sold.
B. Variable costs per unit for each additional unit sold.
C. Contribution margin per unit for each additional unit sold.
D. Gross margin per unit for each additional unit sold

Answer: C

Explanation:
Contribution Margin: Contribution margin is the amount by which the sales price of a product exceeds its variable costs. After reaching the break-even point, each additional unit sold contributes directly to operating income.
: Cost-volume-profit (CVP) analysis, which highlights the role of contribution margin in
determining profitability.
Operating Income: At the break-even point, fixed costs are covered, so additional units sold increase operating income by the contribution margin per unit.
Fixed Costs: Fixed costs per unit (option A) do not change with additional units sold.
Variable Costs: Variable costs per unit (option B) remain constant and are deducted from sales price to calculate contribution margin.
Gross Margin: Gross margin per unit (option D) includes fixed costs and is less directly relevant than the contribution margin.

NEW QUESTION 17
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

Explanation:
Ensuring Quality: To ensure the quality of the consulting engagement in the human resources department, the chief audit executive (CAE) can implement a fieldwork peer review process. This involves having experienced auditors review the work of their colleagues to ensure adherence to audit standards and procedures.
Efficiency and Effectiveness:
? Peer Review: This method helps identify any issues or improvements needed in real-time, enhancing both the efficiency and effectiveness of the audit process.
? Standardized Work Programs: While standardized work programs (option C) provide consistency, peer review adds a layer of quality assurance.
? Supervision: Personal supervision by the CAE (option D) is not practical for ensuring the quality of all engagements.

NEW QUESTION 18
Which of the following best describes the risk contained in an initial public offering for a new stock?

A. Residual risk.
B. Net risk.
C. Inherent risk.
D. Underlying risk

Answer: C

Explanation:
? Introduction:
? IPO Risks:
? Options Analysis:
? Conclusion:
:
Audit Standards and Securities Regulation Guidelines

NEW QUESTION 23
Which of the following is an example of a directive control?

A. Segregation of duties
B. Exception reports
C. Training programs,
D. Supervisory review.

Answer: C

Explanation:
Directive controls are designed to encourage desired behavior or outcomes.
? Option A: Segregation of duties is a preventive control, not a directive control.
? Option B: Exception reports are detective controls.
? Option D: Supervisory review is also a preventive or detective control.
? Option C: Training programs are directive controls as they guide employees on the correct procedures and practices to follow.

NEW QUESTION 24
An internal auditor observed that sales staff are able to modify or cancel an order in the system prior to shipping She wonders whether they can also modify orders after shipping. Which of the following types of controls should she examine?

A. Batch controls.
B. Application controls
C. General IT controls.
D. Logical access controls

Answer: B

Explanation:
Application controls are specific to software applications and ensure that transactions are processed correctly and accurately. They include controls over input, processing, and output. In this scenario, examining application controls will help determine if sales staff can modify orders after shipping, as these controls directly impact how data is handled within the system.
References:
? "Information Technology Auditing," which explains the role of application controls in maintaining data integrity and security.

NEW QUESTION 28
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: C

Explanation:
Engagement Supervision Objectives:
? Assign Responsibilities: Supervisors must clearly assign tasks and responsibilities to individual auditors to ensure clarity and accountability during the engagement.
? Approve Engagement Program: The supervisor is responsible for reviewing and approving the engagement program, ensuring that it aligns with the engagement objectives and internal audit standards.
? Training and Development: Supervision also involves mentoring and developing audit staff, providing guidance and feedback to enhance their skills and performance.
IIA Standards:
? Standard 2340 – Engagement Supervision: Internal audit engagements must be properly supervised to ensure objectives are achieved, quality is maintained, and staff are developed.
Primary Objectives:
? Clarity and Accountability: Assigning responsibilities ensures that each auditor
knows their role and tasks.
? Quality and Compliance: Approving the engagement program ensures that the audit plan is robust and compliant with standards.
? Professional Development: Enabling training and development helps build a competent and skilled audit team.
References:
? Effective engagement supervision involves assigning responsibilities, approving the engagement program, and facilitating training and development, ensuring a successful audit engagement and continuous staff improvement.

NEW QUESTION 31
The board of directors of a global organization has found an increased number of reported cases of unethical practices since last year. To assist the board in gaining a better understanding of the degree of ethics awareness within the organization, which of the following actions should be undertaken?

A. Request the internal audit activity to perform an ethics-related assurance engagement.
B. Offer in-house ethics-related training seminars for employees to attend
C. Reaffirm the importance of the organization's code of ethics to all employees
D. Conduct an organization wide employee survey on ethical practices.

Answer: D

Explanation:
To assist the board of directors in understanding the degree of ethics awareness within the organization, an organization-wide employee survey on ethical practices (option D) is the most effective action. Here's why:
? Direct Insight from Employees: Surveys can capture the perspectives of a broad
employee base, providing direct insights into the awareness and attitudes towards ethics within the organization.
? Quantitative and Qualitative Data: A well-designed survey can gather both
quantitative data (e.g., percentage of employees aware of the code of ethics) and qualitative data (e.g., specific instances of ethical dilemmas faced by

employees).
? Identifying Areas of Improvement: Surveys can identify specific areas where
employees feel the organization is lacking in terms of ethical practices, which can guide targeted improvements.
? Confidentiality and Anonymity: Surveys often ensure confidentiality and anonymity,
encouraging more honest and comprehensive responses from employees, which might not be achievable through other means.
? Comprehensive Scope: Compared to internal audits or training, surveys can
provide a comprehensive overview of the entire organization??s ethical climate, from various departments and levels.
This approach aligns with the best practices in internal auditing and organizational
assessments as outlined by the Institute of Internal Auditors (IIA) and other related guidance.

NEW QUESTION 32
Which of the following best demonstrates internal auditors performing their work with proficiency?

A. internal auditors meet with operational management at each phase of the audit process.
B. Internal auditors adhere to The IIA's Code of Ethics.
C. Internal auditors work collaboratively with their engagement team.
D. Internal auditors complete a program of continuing professional development.

Answer: D

Explanation:
Proficiency in internal auditing is not only about technical skills but also involves continuous education and staying updated with the latest practices and standards in the field.
Option D reflects the commitment to ongoing professional development, ensuring that internal auditors maintain and enhance their proficiency over time.
The Institute of Internal Auditors (IIA) emphasizes the importance of continuing professional development as a means to ensure auditors remain competent in their roles

NEW QUESTION 33
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?
* 1.Effect of the control weakness.
* 2.Cause of the control weakness
* 3.Conclusion on the control weakness.
* 4.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

Explanation:
? Introduction:
? Impact on Workpapers:
? Options Analysis:
? Conclusion:
:
Internal Audit Standards and Practice Guides

NEW QUESTION 38
According to IIA guidance, which of the following objectives was most likely formulated for a non-assurance 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 the internal policy.

Answer: B

Explanation:
Non-Assurance Engagements: Non-assurance engagements focus on advisory and consulting services rather than providing an independent assessment. These engagements aim to add value by offering insights and recommendations to management. Objective Characteristics:
? Informing Management: Providing information on potential risks and advising on
risk management strategies is typical for non-assurance engagements. This helps management make informed decisions and manage risks effectively.
? Assessment and Compliance: Options A, C, and D are more aligned with
assurance engagements, where the internal audit activity provides an independent assessment or ensures compliance with policies and procedures.
IIA Guidance:
? Standard 2120 – Risk Management: Internal auditors must evaluate and contribute to the improvement of risk management processes, often through advisory services in non-assurance roles.
References:
? Non-assurance engagements focus on informing and advising management about risks, improvements, and strategic decisions, as exemplified by informing management about risks related to moving the data warehouse to a third-party cloud server.

NEW QUESTION 41
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?
* 1. There is a clear strategy and timeline to migrate risk management responsibility back to management.

* 2. The internal audit activity has the final approval on any risk management decisions.
* 3.The internal audit activity gives objective assurance on all parts of the risk management framework for which it is responsible.
* 4.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

Explanation:
Conditions for Risk Management Consulting by Internal Audit:
? Strategy and Timeline for Migration: The internal audit activity can provide risk management consulting if there is a clear strategy and timeline to transfer risk management responsibilities back to management. This ensures a temporary arrangement with a defined end goal.
? Documentation in Internal Audit Charter: The nature of services provided, including risk management consulting, must be documented in the internal audit charter. This formalizes the internal audit activity's role and ensures transparency and alignment with organizational governance.
IIA Standards:
? Standard 1130 – Impairment to Independence or Objectivity: When internal auditors perform risk management roles, it must not impair their objectivity. Clear documentation and a transition strategy mitigate potential conflicts of interest.
? Standard 2050 – Coordination and Reliance: Internal auditors must coordinate with other assurance providers, ensuring roles are clear and documented.
Inappropriate Conditions:
? Final Approval on Risk Management Decisions: The internal audit activity should not have final approval on risk management decisions, as this impairs independence and objectivity.
? Objective Assurance on Own Work: Providing objective assurance on parts of the risk management framework for which the internal audit activity is responsible creates a conflict of interest.
References:
? The conditions under which internal audit can provide risk management consulting must include a clear strategy for migrating responsibilities back to management and documentation in the internal audit charter to ensure transparency and avoid conflicts of interest.

NEW QUESTION 42
Management would like to self-assess the overall effectiveness of the controls in place for its 200-person manufacturing department Which of the following client-facilitated approaches is likely to be the most efficient way to accomplish this objective?

A. Workshops.
B. Surveys.
C. Interviews.
D. Observation.

Answer: B

Explanation:
Self-assessment of controls can be efficiently conducted using various client-facilitated approaches. The choice of method depends on factors such as the size of the department, the nature of the controls, and the need for comprehensive feedback.
? Efficiency in Large Groups:Surveys are particularly effective for large groups (such
as a 200-person department) as they allow for the collection of data from many individuals quickly and efficiently.
Reference:IIA Practice Guide on "Control Self-Assessment," which suggests using surveys for broad-based data collection when assessing control effectiveness across larger groups.
Standardized Feedback:Surveys provide standardized questions, ensuring consistent data collection and making it easier to analyze the responses.
Practical Example:A survey might include questions rating the effectiveness of different control measures on a scale, allowing management to identify areas of strength and weakness.
Anonymity and Honest Responses:Surveys can be conducted anonymously, encouraging more honest and candid feedback from employees who might hesitate to speak openly in workshops or interviews.
Advantage:This anonymity can lead to more accurate assessments of the controls'
effectiveness, as employees might feel more comfortable pointing out issues without fear of repercussions.
Comparison to Other Methods:
Workshops (A):While useful for in-depth discussions, they are time-consuming and less efficient for large groups.
Interviews (C):Provide detailed insights but are also time-consuming and not practical for a 200-person department.
Observation (D):Useful for firsthand assessment but not efficient for gathering widespread feedback across a large department.
Conclusion:The correct answer is B, as surveys are the most efficient method for self- assessing the overall effectiveness of controls in a large department, offering a balance of broad coverage, standardized data, and anonymity.

NEW QUESTION 47
An internal auditor is asked to determine why the production line for a large manufacturing organization has been experiencing shutdowns due to unavailable parts 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 parts 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

Explanation:
To test the theory that shutdowns are due to outdated purchasing requirements, the auditor should compare the parts needed according to the revised production techniques with the purchase orders generated. This comparison will reveal whether the system has been updated to reflect changes in production techniques, thereby identifying any discrepancies causing the unavailability of parts.

: The practice of matching current production estimates with the materials requirements
plan (MRP) aligns with standard audit procedures for validating the accuracy and relevance of system-generated purchase orders.

NEW QUESTION 50
An organization uses the management-by-objectives method, whereby employee performance is based on defined goals. Which of the following statements is true regarding this approach?

A. It is particularly helpful to management when the organization is facing rapid change.
B. It is a more successful approach when adopted by mechanistic organizations.
C. it is more successful when goal-setting Is performed not only by management, but by all team members, including lower-level staff
D. it is particularly successful in environments that are prone to having poor employer- employee relations

Answer: C

Explanation:
? Management-by-Objectives (MBO):This method involves setting clear, measurable objectives that employees and management agree on. It aligns individual performance with organizational goals.
? Inclusive Goal-Setting:When goal-setting is inclusive, involving all team members, it fosters a sense of ownership and commitment to the goals. This collaboration
enhances motivation and accountability.
? Empirical Evidence:Research and practical experience indicate that MBO is more effective when employees at all levels are involved in the goal-setting process, as it leads to better performance and job satisfaction.
? IIA Standards and Best Practices:Encouraging participation from all levels aligns with the principles of good governance and effective management, which are central to the IIA's standards and best practices.
References:
? Principles of Management-by-Objectives (MBO) .

NEW QUESTION 51
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

Explanation:
Step by Step Comprehensive Detailed Explanation with References:
? Introduction:
? Purpose of Narrative Memoranda:
? Options Analysis:
? Conclusion:
:
Internal Audit Standards and Practice Guides.

NEW QUESTION 54
Which of the following resources would be most effective for an organization that would like to improve how it informs stakeholders of its social responsibility performance?

A. ISO 26000
B. Global Reporting Initiative.
C. Open Compliance and Ethics Group.
D. COSO??s enterprise risk management framework.

Answer: B

Explanation:
? Understanding the GRI:The Global Reporting Initiative (GRI) provides a comprehensive framework for reporting on sustainability performance, including social responsibility aspects.
? Framework and Standards:GRI standards are widely used and recognized globally, which helps organizations benchmark their performance against other entities using the same framework.
? Stakeholder Communication:The GRI framework emphasizes transparency and accountability in reporting, making it an effective tool for informing stakeholders about an organization's social responsibility performance.
? Comprehensive Coverage:GRI covers various aspects of social responsibility, including economic, environmental, and social impacts, providing a holistic view of an organization's performance.
References:
? The Global Reporting Initiative (GRI) .

NEW QUESTION 58
According to the IIA Code of Ethics, which of the following is required with regard to communicating results?

A. The internal auditor should present material information to appropriate personnel within the organization without revealing confidential matters that could be detrimental to the organization
B. The internal auditor should disclose all material information obtained by the date of the final engagement communication.
C. The internal auditor should obtain all material information within the established time and budget parameters.
D. The internal auditor should reveal material facts that could potentially distort the reporting of activities under review

Answer: D

Explanation:
The IIA Code of Ethics sets forth principles and expectations for ethical behavior in internal auditing, particularly regarding the communication of results.
? Integrity and Transparency:According to the IIA Code of Ethics, internal auditors
are expected to exhibit integrity and transparency in their reporting, ensuring that material facts are disclosed accurately to avoid misrepresentation.
Reference:IIA Code of Ethics, Principle 4 – Integrity, which emphasizes the need for internal auditors to disclose all material facts known to them that, if not disclosed, could distort the reporting of activities under review.
Revealing Material Facts:The principle of integrity mandates that internal auditors must reveal material facts necessary to avoid any misrepresentation of the activities being reviewed. This ensures that stakeholders receive a truthful and complete picture of the audit findings.
Practical Example:If an auditor discovers significant control weaknesses that could impact financial reporting, these must be disclosed in the audit report to provide a true representation of the entity's control environment.
Confidentiality and Appropriateness:While confidentiality is important, it does not supersede the need to report material facts that are essential for accurate reporting. Confidential matters that are not material or do not distort the reporting can be withheld to protect sensitive information.
Clarification:Option A incorrectly suggests that all confidential matters can be withheld even if they are material and could distort reporting, which contradicts the principle of integrity.
Comprehensive Disclosure:The requirement to disclose all material information by the date of the final engagement communication (Option B) and obtaining all material information within established parameters (Option C) are important but secondary to the fundamental ethical obligation to ensure accurate and truthful reporting.
Clarification:These options focus on procedural aspects rather than the core ethical obligation of integrity and accurate reporting.
Conclusion:The correct answer is D, as it aligns with the IIA Code of Ethics requirement
that internal auditors should reveal material facts that could potentially distort the reporting of activities under review, ensuring transparency and integrity in their communications.

NEW QUESTION 59
An internal auditor discovered fraud while performing an audit of an organization's procurement process. Which of the following describes the greatest benefit of using forensic auditing techniques in this scenario?

A. Enhanced capability to prevent frauds from occurring.
B. Greater assurance that procurement frauds will be detected in a timely manner
C. Improved capability of evaluating fraud risks within the organization.
D. Greater understanding of fraud through better evidence collection

Answer: D

Explanation:
Forensic auditing techniques provide a systematic approach to collecting and analyzing evidence related to fraud. The primary benefit of these techniques is the enhanced ability to gather comprehensive and detailed evidence, which leads to a greater understanding of how the fraud occurred and who was involved. This detailed evidence collection supports legal proceedings and helps in identifying control weaknesses that need to be addressed to prevent future frauds.
References:
? "Forensic Auditing: Principles and Practices," which outlines the importance of evidence collection in understanding and combating fraud.

NEW QUESTION 60
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

Explanation:
The guidelines for preparing audit engagement workpapers emphasize clarity, completeness, and accuracy to ensure that they can be easily understood and used by others within the auditing function.
? Option A: Workpapers should be understandable to the auditor in charge and the chief audit executive.
? Option B: Workpapers should be understandable to the audit client and the board.
? Option C: Workpapers should be understandable to another internal auditor who was not involved in the engagement.
? Option D: Workpapers should be understandable to external auditors and regulatory agencies.
Reference:
According to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2330 - "Documenting Information," internal auditors must document relevant information to support the conclusions and engagement results. The documentation must be sufficiently detailed to allow another internal auditor with no previous connection to the engagement to
understand the work performed, evidence obtained, and conclusions reached.

NEW QUESTION 63
A rapidly expanding retail organization continues to be tightly controlled by its original small management team. Which of the following is a potential risk in this vertically centralized organization?

A. Lack of coordination among different business units
B. Operational decisions are inconsistent with organizational goals.
C. Suboptimal decision-making.
D. Duplication of business activities.

Answer: C

Explanation:
? Introduction:
? Risk Analysis:
? Conclusion:

:
Organizational Structure and Internal Control Theory.

NEW QUESTION 65
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

Explanation:
If the chief audit executive (CAE) is uncertain that the current audit team has all the required knowledge to conduct the engagement, the most appropriate course of action is to use an external service provider. This helps preserve the independence and objectivity of the internal audit function.
? Expertise: External service providers bring specialized knowledge and expertise
that may not be available within the internal team.
? Independence: Utilizing an external provider ensures that the audit maintains its independence and objectivity, avoiding any potential conflicts of interest.
? Quality: Ensures that the audit engagement is conducted with the highest standards, leveraging the external provider's experience and skills.
References:
? "Internal Audit and Assurance," which outlines the benefits and considerations of engaging external service providers for specialized audit tasks.

NEW QUESTION 70
At a conference an internal auditor presented a new computer-assisted audit technique developed by his organization The presentation included sample data derived from performing audit engagements for the organization. Travel costs were paid by the conference organizers and the trip was approved by the chief audit executive (CAE). However, neither management nor the CAE was aware that the internal auditor would be
making a presentation based on work completed for the organization According to IIA guidance, which of the following statements is most relevant regarding the actions of the auditor?

A. The auditor did not violate the standard of objectivity because the presentation had no impact on the organization.
B. The auditor violated the principle of confidentiality by disclosing information about the organization without approval.
C. The auditor should have obtained permission before using the material, but did not violate the IIA Code of Ethics or Standards
D. The auditor breached the conflict of interest standard by accepting payment for travel costs

Answer: B

Explanation:
Understanding Confidentiality: According to the IIA Code of Ethics, internal auditors are required to respect the value and ownership of information they receive and not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
Presentation Details: In this scenario, the internal auditor presented sample data derived from audit engagements performed for the organization. Even though the travel costs were covered by the conference organizers and the trip was approved by the CAE, neither the CAE nor management was aware of the specific content of the presentation.
Violation of Confidentiality: By disclosing information related to the organization's audit engagements without prior approval from management or the CAE, the auditor breached the confidentiality principle. The auditor should have sought permission before using and presenting any material related to the organization's internal operations.
IIA Standards: Standard 1310 – Requirements of the Quality Assurance and Improvement Program – states that internal auditors must adhere to the IIA's Code of Ethics and Standards. This includes maintaining confidentiality and obtaining necessary approvals before disclosing any organizational information.
References:
? The principle of confidentiality is clearly violated when information is shared without proper authorization, regardless of the perceived impact on the organization. The IIA Code of Ethics emphasizes the importance of obtaining appropriate permissions to prevent unauthorized disclosures.

NEW QUESTION 72
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 O Wire transfers that exceeded $10,000 in the last 12 months will be analyzed.
B. Both random and judgmental samplings will be used during the engagement
C. The probability of significant errors will be considered via risk assessment.

Answer: B

Explanation:
? Introduction:
? Scope Definition:
? Options Analysis:
? Conclusion:
:
Internal Audit Standards and Practice Guides

NEW QUESTION 77
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

Explanation:
To assess the effectiveness of management??s self-assessment activities regarding the risk management process, internal auditors should directly observe and test the control and monitoring procedures.
This hands-on approach allows auditors to verify the implementation and functionality of risk management controls and the accuracy of related reporting.
Direct observation and testing provide the most reliable evidence of the effectiveness of these procedures

NEW QUESTION 82
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 managements 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

Explanation:
? Introduction:
? Escalation Process:
? Options Analysis:
? Conclusion:
:
Internal Audit Standards and Practice Guides .

NEW QUESTION 83
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 b
C. or in conjunction with, the engagement client
D. Internal auditors may not need to complete a preliminary risk assessment for a consulting engagement as they would when planning an assurance engagement.
E. For both consulting and assurance engagements, internal auditors usually form the engagement objectives prior to completing the preliminary risk assessment

Answer: B

Explanation:
The expectations and objectives of an assurance engagement are often determined in conjunction with the engagement client, aligning with the client's needs and the scope of the engagement. In consulting engagements, internal auditors provide advice and services
tailored to the client's requests, which may not always follow a preliminary risk assessment process like in assurance engagements.
: The IIA??s International Standards for the Professional Practice of Internal Auditing
(Standards) provide detailed guidance on this aspect of engagement planning, particularly in Standards 2200 and 2201.

NEW QUESTION 87
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 forall 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

Explanation:
Conducting a documented skills assessment helps in identifying the existing competencies and any gaps within the internal audit team.
Post-audit surveys can provide feedback on the performance and areas for improvement, which can be used to further refine the skills and competencies of the audit staff (Ref: [16†source])

NEW QUESTION 88
Which of the following statements is most accurate with respect to the required elements of the quality assurance and improvement program?

A. Internal assessments provide sufficient objectivity to provide evidence to the board that the internal audit activity understands the organization's control processes.
B. Quality assessments focus on the internal audit activity??s structure, relationships withstakeholders, compliance with the Standards, and internal audit staff proficiency.
C. in order to comply with the Standards, the internal audit activity must obtain an objective assessment of its processes and function at least once a year
D. Internal auditors completing internal assessments must demonstrate certification to perform quality assessments

Answer: B

Explanation:
? Understanding Quality Assessments:Quality assessments in internal audit activities are designed to evaluate various aspects such as the structure of the internal audit activity, relationships with stakeholders, compliance with the IIA Standards, and the proficiency of internal audit staff.
? Internal Assessments:These include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments or assessments by other

persons within the organization with sufficient knowledge of internal audit practices.
? External Assessments:External assessments should be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization to ensure objectivity and comprehensiveness.
? Focus Areas:Quality assessments should focus on compliance with the IIA Standards, the effectiveness of the internal audit activity's structure, the quality of relationships with stakeholders, and the proficiency and continuous professional development of internal audit staff.
? Continuous Improvement:The quality assurance and improvement program (QAIP) should be designed to enable the internal audit activity to add value and improve an organization's operations. It helps ensure that the internal audit activity is in compliance with the IIA Standards and Code of Ethics and continuously improves.
References:
? IIA Standard 1300 – Quality Assurance and Improvement Program .

NEW QUESTION 92
Which of the following situations best applies to an organization that uses a project, rather than a process, to accomplish its business activities?

A. A clothing company designs, makes, and sells a new item.
B. A commercial construction company is hired to build a warehouse.
C. A city department sets up a new firefighter training program.
D. A manufacturing organization acquires component parts from a contracted vendor

Answer: B

Explanation:
To determine which situation best applies to an organization that uses a project, rather than a process, to accomplish its business activities, it's important to understand the fundamental difference between a project and a process. A project is a temporary endeavor undertaken to create a unique product, service, or result. It has a defined beginning and end and is often constrained by time, budget, and resources. In contrast, a process is ongoing and repetitive, focusing on sustaining and improving existing operations.
? Option A: A clothing company designs, makes, and sells a new item.
? Option B: A commercial construction company is hired to build a warehouse.
? Option C: A city department sets up a new firefighter training program.
? Option D: A manufacturing organization acquires component parts from a contracted vendor.
Reference:
This analysis aligns with project management principles and definitions, such as those found in the Project Management Institute's (PMI) PMBOK Guide, which defines a project as a temporary endeavor undertaken to create a unique product, service, or result.

NEW QUESTION 95
Which of the following actions would an internal auditor perform primarily during a consulting engagement of a debt collections process?

A. Reviewing journal entries for accuracy and completeness.
B. Comparing the policies and procedures to regulatory collections guidance.
C. Advising management on streamlining the recording of accounts receivable.
D. Performing a walk-through of the debt collections process to determine whether proper segregation of duties exists

Answer: C

Explanation:
A consulting engagement involves providing advice and recommendations to improve processes, controls, and efficiency.
? Option A: Reviewing journal entries for accuracy and completeness.
? Option B: Comparing the policies and procedures to regulatory collections guidance.
? Option C: Advising management on streamlining the recording of accounts receivable.
? Option D: Performing a walk-through of the debt collections process to determine whether proper segregation of duties exists.
Reference:
Consulting engagements, as defined by the IIA, involve activities where internal auditors provide advisory services to help an organization improve its governance, risk management, and control processes. This often includes providing insights and recommendations for process improvements, such as streamlining accounts receivable recording, which aligns with the role described in Option C.
By referencing these principles and guidelines, the answers and explanations provided are validated and grounded in established internal audit standards and accounting practices.

NEW QUESTION 96
Which of the following best demonstrates that the internal audit activity is using due professional care?

A. The internal audit activity reports directly to the board on the engagements it performs.
B. Internal auditors undertake the necessary training to complete their audit work.
C. The completion of engagements is based on the assumption that fraudulent activities may exist.
D. Internal auditors consider the use of technology-based audit and other data analysis techniques

Answer: D

Explanation:
Demonstrating due professional care involves using appropriate technology and data analysis techniques to enhance the audit's effectiveness and efficiency. These tools help auditors identify anomalies, trends, and potential areas of risk more accurately and timely, reflecting a higher standard of care in their audit activities.
References:
? "Auditing Standards and Guidelines," which emphasize the importance of using advanced techniques in audit processes.

NEW QUESTION 97
Which of the following would be the most effective fraud prevention control?

A. Email alert sent to management for checks issued over S100.000.
B. installation of a video surveillance system in a warehouse prone to inventory loss

C. New hire training to explain fraud and employee misconduct.
D. Daily report that Identifies unsuccessful system log-in attempts

Answer: C

Explanation:
Training new hires on fraud and employee misconduct is a proactive measure that raises awareness and educates employees about the organization??s policies and the consequences of fraudulent behavior.
Such training helps create a culture of integrity and compliance, making employees less likely to engage in or tolerate fraud.
Continuous education and reinforcement of ethical behavior are essential components of an effective fraud prevention strategy

NEW QUESTION 102
Which of the following is the most important determinant of the objectives and scope of assurance engagements?
The organizational chart, business objectives, and policies and procedures of the area to be reviewed

A. The most recent risk assessment conducted by management of the area to be reviewed.
B. The requests of operational and senior management throughout the organization.
C. The preliminary risk assessment performed by internal auditors planning the engagement.

Answer: C

Explanation:
The primary determinant of the objectives and scope of assurance engagements is the preliminary risk assessment performed by internal auditors. This assessment identifies the key risks associated with the area under review and helps prioritize the audit efforts based on the significance and likelihood of these risks. This approach ensures that the engagement focuses on the most critical areas, thereby adding value to the organization.
: The International Standards for the Professional Practice of Internal Auditing (Standards)
emphasize the importance of risk-based planning in determining the scope and objectives of audit engagements. Standard 2200 (Engagement Planning) and Standard 2210 (Engagement Objectives) provide guidance on this process.

NEW QUESTION 106
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

Explanation:
To determine which internal audit activity is performed in the design evaluation phase, it's essential to understand what each phase in the audit process entails. The design evaluation phase involves assessing whether the design of controls is adequate to mitigate risks to acceptable levels.
? Option A: The internal auditor reviews prior audits and workpapers.
? Option B: The internal auditor identifies the controls over segregation of duties.
? Option C: The internal auditor checks a process for completeness.
? Option D: The internal auditor communicates the audit results to management.
Reference:
According to the Institute of Internal Auditors (IIA) Standards and the guidelines in the IPPF (International Professional Practices Framework), during the design evaluation phase, internal auditors assess the adequacy of control designs. This includes evaluating whether controls like segregation of duties are properly designed to mitigate identified risks. Identifying controls over segregation of duties is a fundamental aspect of assessing the adequacy of the control environment and its design to ensure it can effectively prevent and detect errors and fraud.

NEW QUESTION 108
According to IIA guidance, which of the following statements is true regarding due professional care?

A. Internal auditors must exercise due professional care to ensure that all significant risks will be identified.
B. Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.
C. Due professional care requires the internal auditor to conduct extensive examinations and verifications to ensure fraud does not exist.
D. Due professional care is displayed during a consulting engagement when the internal auditor focuses on potential benefits of the engagement rather than the cost

Answer: B

Explanation:
Due professional care is a critical concept in internal auditing, ensuring that auditors conduct their work with the necessary diligence and competence.
? Definition and Standards:According to the IIA??s International Standards for the
Professional Practice of Internal Auditing (Standards), specifically Standard 1220 – Due Professional Care, internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.
Reference:Standard 1220 emphasizes that internal auditors must consider the extent of work needed to achieve the engagement's objectives and the cost of assurance in relation to potential benefits.
Expectation of Competence:The standard requires auditors to use their professional judgment and to exercise the level of skill and care that a reasonably prudent internal auditor would use in similar circumstances.
Practical Example:This includes evaluating the nature and complexity of the engagement, the adequacy and effectiveness of risk management, and control processes relevant to the engagement.
Comprehensive, Not Excessive:While due professional care involves being thorough, it does not mandate exhaustive procedures such as those implied in options A and C.
Clarification:Option A overstates the requirement by implying that all significant risks must be identified, which is not always feasible.
Clarification:Option C misinterprets due professional care by suggesting that extensive examinations and verifications to ensure fraud does not exist are always necessary, which is beyond the typical scope of many audits.
Cost vs. Benefit in Consulting:Option D refers to consulting engagements and the consideration of benefits over cost, which is a part of due professional care but

does not capture the comprehensive expectation of care and skill.
Clarification:Due professional care in consulting engagements is about balancing benefits and costs but also involves ensuring quality and thoroughness appropriate to the engagement's objectives.
Conclusion:The correct answer is B, as it accurately reflects the IIA??s guidance that internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.

NEW QUESTION 111
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

Explanation:
? Introduction:
? Importance of Reporting:
? Options Analysis:
? Conclusion:
:
Institute of Internal Auditors (IIA) Standard 2060: Reporting to Senior Management and the Board.

NEW QUESTION 113
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

Explanation:
When internal audit resources are limited, it is crucial to focus on the most critical aspects of the control environment. Preventive key controls are designed to prevent errors or irregularities from occurring, which are essential for maintaining a strong control environment. Given the mature control environment of the organization, prioritizing preventive key controls ensures that potential issues are addressed before they materialize, providing a proactive approach to risk management.
Reference: IIA Practice Guide "Assessing the Adequacy of Internal Controls"

NEW QUESTION 117
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 self-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 hours.
D. internal auditors can rely on the work of other assurance providers only if the other assurance providers report directly to the board

Answer: C

Explanation:
? Collaboration with Compliance Teams: Internal auditors often collaborate with internal compliance teams to leverage their work. This allows auditors to gain insights and expand their audit coverage efficiently.
? IIA Standards: According to the Institute of Internal Auditors (IIA), internal auditors can rely on the work of other assurance providers, including internal compliance teams, as long as the auditors assess the adequacy and competency of the compliance team's work.
? Efficiency in Audit Coverage: By relying on internal compliance teams, internal auditors can ensure comprehensive coverage of the organization without significantly increasing direct audit hours, thus enhancing efficiency.
: IIA Standard 2050 - Coordination and Reliance.

NEW QUESTION 119
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: C

Explanation:
Once an internal auditor has identified a business process, the next step is to understand the specific activities involved in that process. This includes mapping out each step or
action taken within the process to gain a detailed understanding of how it operates. Identifying process activities helps in evaluating the efficiency, effectiveness, and potential risks associated with the process

NEW QUESTION 122

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: C

Explanation:
Audit workpapers are essential documents that provide evidence of the audit work performed and the conclusions reached.
? Option A: While review notes can be useful, they do not need to be retained if they
do not add value to the audit evidence.
? Option B: Audit workpaper documentation policies are typically established by the internal audit department, not reviewed or approved by the audit committee.
? Option C: Management should not review the workpapers for accuracy as this could compromise the independence of the audit.
? Option D: Preparing workpapers helps auditors document their work thoroughly, facilitating learning and professional development.

NEW QUESTION 123
If the skills and competencies are not present within the internal audit activity to complete an ad-hoc assurance engagement, which of the following is an acceptable resolution?

A. Politely decline the engagement due to a lack of qualified staff available at the time.
B. Complete the engagement as requested, with the best of the current staff??s abilities.
C. Consider using employees from other departments in the organization on the audit team.
D. Change the scope of the testing to ensure that only available staff proficiencies are used

Answer: C

Explanation:
? Introduction:
? Resolving Skill Gaps:
? Options Analysis:
? Conclusion:
:
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NEW QUESTION 126
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