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NEW QUESTION: 1
According to IIA guidance, which of the following is least compliant with the requirements regarding an internal auditor's need for objectivity?
A. An internal auditor assessed the effectiveness of controls over payroll software, which he had helped implement with a previous employer.
B. An internal auditor performed an assurance engagement for the effectiveness of accounts payable access controls, one of which he previously helped to design.
C. An internal auditor participated in an audit of controls around absenteeism, despite providing some consultation on controls in this area earlier in the year.
D. An internal auditor, previously employed in the quality assurance operations area, performed a consulting engagement for the operations manager.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 2
During an internal audit, the internal auditor compares the employee turnover rate in the area being audited with the employee turnover rate in the organization as a whole.
This is an example of which of the following analytical auditing procedures?
A. Reasonableness test.
B. Regression analysis.
C. Benchmarking.
D. Trend analysis.
Answer: (SHOW ANSWER)

NEW QUESTION: 3
Which of the following is a preventive control?
A. Placing controls on physical access to inventory.
B. Reconciling purchase orders with approvals.

C. Creating an audit trail.
D. Reviewing expense accounts for irregularities.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 4
During the course of an audit, an internal auditor discovers that a valuable employee in the research department has been patenting new developments in the employee's name that are unrelated to the basic business of the organization.
The organization does not have a policy addressing this specific issue, but does have a general policy that all important new discoveries by employees are the property of the organization.
Division management views the employee's actions as extra incentive to retain the employee.
A decision to include the employee's action in the engagement final communication would be:
1. A violation of the IIA Code of Ethics.
2. A violation of the reporting requirements in the Standards.
3. Justified and necessary, according to the IIA Code of Ethics and Standards.
A. 1 and 2 only
B. 1 only
C. 3 only
D. 2 only
Answer: (SHOW ANSWER)

NEW QUESTION: 5
According to the Standards, which of the following best describes why initial audit test results should be reported to the auditor-in-charge prior to advising management?
A. It increases the likelihood of obtaining the audit client's agreement with the results.
B. It helps ensure that appropriate professional judgments and conclusions are made.
C. It ensures that an appropriate chain of evidence is maintained through the workpapers.
D. It is required to demonstrate that effective engagement supervision has occurred.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 6
According to IIA guidance, which of the following individuals would best be considered independent for the purpose of participating in an external assessment of the quality assurance and improvement program for an internal audit activity (IAA)?
A. A competent employee of an independent external organization that provides co-sourcing services to the IAA.
B. A former employee knowledgeable of the IAA who resigned three years earlier from the organization.

C. An employee in an affiliated organization who has never worked directly with the IAA.
D. An employee in the parent organization who has not had any previous contact with the IAA.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 7
A government agency maintains a system of internal control, according to the COSO model, and has made a change to its employee performance reviews and rewards program. This change relates to which of the following components of COSO's internal control framework?
A. Information and communication.
B. Control environment.
C. Monitoring activities.
D. Control activities.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 8
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. Observation.
B. Interviews.
C. Workshops.
D. Surveys.
Answer: (SHOW ANSWER)

NEW QUESTION: 9
Which of the following techniques would best assist an internal auditor in evaluating the efficiency of a wholesale grocery distributor`s process to fill and package orders for shipping?
A. Queuing theory to assess potential bottlenecks in the process.
B. A program evaluation and review technique chart.
C. Decision trees rating actual performance against requirements.
D. A Bedford analysis of orders filled to average delivery times.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 10
The chief audit executive (CAE) has been asked to manage the regulatory compliance function for the organization's retail store operations. Store operations are included in the annual audit plan.

Which of the following strategies best fulfills the requirements of the Standards regarding these audits?

A. Store operations audits should be performed by an external service provider.

B. Store operations audits can be fully executed with appropriate disclosure to the board.

C. A store operations compliance audit should be performed by a staff internal auditor under the direction of the CAE.

D. The scope of store operations audits should exclude compliance.

Answer: (SHOW ANSWER)

NEW QUESTION: 11

Which of the following is not an appropriate activity for internal auditors to perform?

A. Accumulate data, obtain varying views, and report information to senior management.

B. Highlight matters that require management's attention.

C. Recommend management seek a consulting firm to advise on outsourcing.

D. Implement solutions for specific organizational problems.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 12

Which of the following is most likely to be considered a control weakness?

A. Department managers initiate purchase requests that must be approved by the plant superintendent.

B. Purchase orders are typed by the purchasing department using prenumbered forms.

C. Vendor invoice payment requests are accompanied by a purchase order and receiving report.

D. Buyers promptly update the official vendor listing as new supplier sources become known.

Answer: (SHOW ANSWER)

NEW QUESTION: 13

An internal auditor needs to recommend a policy element to be included in an organization's code of ethics.

Which of the following recommendations would be most effective?

A. Ethical behavior should be incorporated into performance evaluations.

B. Ethics should vary with local customs in the organization's foreign operations.

C. Senior management should be granted specific exemptions to the code of ethics.

D. Whistleblowing should be discouraged because it can cause distrust among employees.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 14

A headquarters-based internal auditor has been sent to a major overseas subsidiary to conduct various engagements. Initially, the internal auditor spends time to become familiar with local customs and organization's practices while embarking on the first engagement. Which of the following competencies does the internal auditor exercise?

A. Communication.

B. Business acumen.

C. Persuasion and collaboration.

D. Governance, risk, and control.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 15

According to IIA guidance, which of the following must internal auditors consider to conform with the requirements for due professional care during a consulting engagement?

1. The cost of the engagement, as it pertains to audit time and expenses in relation to the potential benefits.
2. The needs and expectation of clients, including the nature, timing, and communication of engagement results.
3. The application of technology-based audit and other data analysis techniques, where appropriate.
4. The relative complexity and extent of work needed to achieve the engagement's objectives.

A. 1, 2, and 3

B. 1, 3, and 4

C. 2, 3, and 4

D. 1, 2, and 4

Answer: (SHOW ANSWER)

NEW QUESTION: 16

While reviewing first quarter sales transactions, an internal auditor discovered that 10 invoices for a new customer had not been posted into the accounts receivable subsidiary ledger. Those 10 invoices were listed in an error report automatically generated by the sales processing system. The system had rejected the invoices because the customer's account number was not found in the customer master file. In this scenario, which of the following controls was lacking?

A. Detective control.

B. Preventive control.

C. Corrective control.

D. Directive control.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 17
The chief audit executive (CAE) of a small internal audit activity (IAA) performs all high-risk engagements on the annual audit plan to make use of his knowledge and experience and to maximize the efficient use of audit resources. Which of the following statements is most relevant regarding this practice?
A. The CAE may self-review his work, provided he discloses this practice in the final report.
B. The CAE's work may be reviewed by any other experienced staff member within the IAA.
C. The CAE should avoid performing engagements to ensure he is able to review all audit work objectively.
D. The CAE's work should be reviewed by an individual with the appropriate background and knowledge.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 18
According to IIA guidance, which of the following statements is true regarding the reporting of results from an external quality assessment of the internal audit activity?
A. The requirements for reporting quality assessment results are the same for external assessments and self-assessments with independent external validation.
B. The external assessment results are reported upon completion in confidence directly to the board, and senior management is advised only of the recommendations and improvement action plans.
C. The external assessment results are communicated upon completion to senior management and the board, but action plans for recommended improvements do not have to be reported.
D. The results of self-assessments with independent external validation are shared with the board upon completion, and monitoring of recommended improvements must be reported monthly.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 19

An internal auditor in a small broadcasting organization was assigned to review the revenue collection process.
The auditor discovered that some checks from three customers were never recorded in the organization's financial records. Which of the following documents would be the least useful for the auditor to verify the finding?

A. Bank statements.

B. Customer confirmation letters.

C. Copies of deposit slips.

D. Copies of sales invoices.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 20

According to IIA guidance, which of the following is ultimately responsible for seeing that the internal control system of an organization's social responsibility program is effective?

A. All employees.

B. Board of directors.

C. Internal audit activity.

D. Senior management.

Answer: (SHOW ANSWER)

NEW QUESTION: 21

An internal audit team is performing an audit of workplace accident claims.
Which of the following actions by the audit team best demonstrates due professional care?

A. Having an occupational health officer on the engagement team.

B. Reviewing claims to ensure all accidents actually occurred in the workplace.

C. Placing reliance on medical reports from the injured worker's doctor.

D. Determining that the claims have been classified properly.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 22

Which of the following activities is most likely to require a fraud specialist to supplement the knowledge and skills of the internal audit activity?

A. Interrogating a suspected fraudster.

B. Employing audit tests to detect fraud.

C. Completing a process review to improve controls to prevent fraud.

D. Planning an engagement of the area in which fraud is suspected.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 23

According to IIA guidance, which of the following should be included in the internal audit charter?

A. Assigned responsibilities for designing and implementing controls.
B. Identification of the organizational units where engagements are to be performed.
C. Organizational relationships and reporting lines.
D. The minimum resources and competencies needed for the internal audit activity.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 24
An auditor in charge was reviewing the workpapers submitted by a newly hired internal auditor. She noted that the new auditor's analytical work did not include any rating or quantification of the risk assessment results, and she returned the workpapers for correction. Which section of the workpapers will the new auditor need to modify?
A. Cause section.
B. Effect section.
C. Condition section.
D. Criteria section.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 25
Non-statistical sampling does not require which of the following?
A. The sample to be representative of the population.
B. A smaller sample size than if selected using statistical sampling.
C. The sample to be selected haphazardly.
D. Projecting the results to the population.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 26
Which of the following behaviors could represent a significant ethical risk if exhibited by an organization's board?
A. Requesting a private meeting with senior management, without the presence of the chief audit executive.
B. Intervening during an audit involving ethical wrongdoing.
C. Discussing periodic reports of ethical breaches.
D. Authorizing an investigation of an unsafe product.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 27
A chief audit executive (CAE) reports functionally to the CEO and administratively to the chief financial officer, both of whom serve on the company's board of directors. According to IIA guidance, which of the following would offer the greatest protection for the independence of the internal audit activity?
A. Move the CAE's functional reporting to the audit committee.

B. Appoint the CAE as a member of the board.
C. Move the CAE's functional reporting to an executive who is not on the board.
D. Obtain full board approval of the internal audit activity's annual audit plan.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 28
Which of the following would be the most appropriate first step for the board to take when developing an effective system of governance?
A. Determine the organization's overall risk appetite.
B. Delegate authority to members of senior management.
C. Identify key stakeholders and their expectations.
D. Establish a governance committee.
Answer: (SHOW ANSWER)

NEW QUESTION: 29
According to IIA guidance, which of the following statements about working papers is false?
A. They assist in the implementation of recommendations.
B. They contribute to development of the internal audit staff.
C. They demonstrate compliance with auditing standards.
D. They provide support for communication to third parties.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 30
While attending a conference, an internal auditor won an all-expense paid trip sponsored by a vendor of the internal auditor's organization.
Which of the following actions are most appropriate for the auditor to take?
A. Give the prize to a friend or family member and notitfy the organization's audit committee.
B. Consult with an immediate supervisor and review the organization's ethics policy.
C. Consult with an immediate supervisor and notify the organization's audit committee.
D. Give the prize to a friend or family member and review the organization's ethics policy.
Answer: (SHOW ANSWER)

NEW QUESTION: 31
Which of the following is an activity that an internal auditor must not perform?
A. Assess the risk of being fined for ineffective anti-money laundering practices.
B. Provide assurance for the effectiveness of anti-money laundering training.
C. Establish and provide continuing assurance on an anti-money laundering program for new hires.
D. Survey employees for their understanding of anti-money laundering practices.

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

NEW QUESTION: 32
Upon joining the internal audit activity, each new auditor receives a copy of the audit handbook. Which of the following handbook policies has the greatest risk of compromising audit objectivity?
A. Internal auditors should have direct and unrestricted access to personnel and information throughout the organization and the governing board.
B. Internal auditors should rotate to other areas of the organization for nonaudit assignments to gain an understanding of the organization's operations.
C. Internal auditors should undergo annual performance appraisals conducted by the chief audit executive, who reports administratively to the chief financial officer.
D. Internal auditors should obtain 80 hours of continuing professional education every two years, 20 of which should be audit-related, and the remainder may be operations-related.
Answer: ([SHOW ANSWER](#))

NEW QUESTION: 33
According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?
A. To enable Triple Bottom Line reporting capability.
B. To fulfill regulatory and compliance requirements.
C. To facilitate the conduct of risk assessment.
D. To achieve and maintain sustainable development.
Answer: D ([LEAVE A REPLY](#))

NEW QUESTION: 34
Which of the following documents is most appropriate in promoting the objectivity of the internal audit activity?
A. Risk management framework.
B. Personal responsibility policy.
C. Usage of IT system policy.
D. Acceptance of gifts policy.

Answer: (SHOW ANSWER)

NEW QUESTION: 35

During an audit engagement, the internal auditor discussed a risk mitigation recommendation with the manager of the area under review. The manager disagreed with the risk assessment and recommendation. The two failed to come up with an alternative solution, and the auditor decided to proceed with including the original recommendation in the engagement report. Which of the following is especially important in dealing with this type of situation?

A. Soft skills in communication, negotiation, and collaboration.

B. Confidentiality and independence.

C. Professional qualifications and certification in internal auditing.

D. Technical skills in the area under review.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 36

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

A. Validation.

B. Compliance.

C. Accuracy.

D. Efficiency.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 37

An organization's chief audit executive (CAE) determines that the internal audit staff does not have the requisite skills to conduct an audit of the financial derivatives area. Which of the following would be the best course of action for the CAE to follow?

A. Determine the requisite knowledge needed, and obtain the proper training for auditors, even if the training will significantly push back the project's timeframe as outlined by the audit committee.

B. Employ the skills of a financial derivatives expert to consult on the project, and supplement the consulting with a local seminar on financial derivatives.

C. Notify the audit committee of the problem, and assign the most competent auditors on staff to perform the audit engagement.

D. Outsource the audit engagement to a qualified external auditing firm without burdening the audit committee with the decision.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 38

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. Determine the number of significant risks for management to report to the board.
B. Coordinate and facilitate risk workshops for management to attend.
C. Set risk indicators and mitigation plans for management to implement.
D. Establish the degree of risk appetite for management to accept.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 39
A chief audit executive (CAE) learns that the brother-in-law of a senior auditor who audits the procurement process was hired as the head of the procurement department six months prior. Which of the following is the most appropriate action for the CAE to take?
A. The CAE should remind the senior auditor of his obligation to be objective and impartial.
B. The CAE should not interfere because there is no evidence that a conflict of interest has occurred.
C. The CAE should require the senior auditor to disclose the relationship in writing before continuing his responsibility for monitoring procurement.
D. The CAE should change the senior auditor's assignment and take corrective action for the auditor's failure to disclose the conflict of interest.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 40
Which of the following statements describes impairment to the internal auditor's objectivity?
A. An internal auditor receives a promotional gift that is available to the organization's employees.
B. An internal auditor reduces the scope of an audit engagement due to budget restrictions.
C. An internal auditor reviews a purchasing agent's contract drafts prior to their execution.
D. An internal auditor performs an assessment of the operations for which he was recently responsible.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 41
Which of the following actions should the audit committee take to promote organizational independence for the internal audit activity?
A. Delegate final approval of the risk-based internal audit plan to the chief audit executive (CAE).
B. Assist the CAE with hiring objective and competent internal audit staff.

C. Encourage the CAE to communicate and coordinate with the external auditor.
D. Approve the annual budget and resource plan for the internal audit activity.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 42
An internal auditor completed an audit of a bank's loan department and found all significant risks to be managed adequately through effective internal controls. Which of the following would be an appropriate conclusion to report to management?
A. The inherent risk is higher than or equal to the risk tolerance.
B. The residual risk is lower than or equal to the risk appetite.
C. The residual risk is higher than or equal to the risk appetite.
D. The inherent risk is lower than or equal to the risk tolerance.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 43
According to the Standards, for how long should internal auditors who have previously performed or had management responsibility for an operation wait to become involved in future internal audit activity with that same operation?
A. Six months.
B. Two years.
C. Three months.
D. One year.
Answer: (SHOW ANSWER)

NEW QUESTION: 44
If appropriate safeguards exist, which of the following is considered a legitimate internal audit role within risk management at an organization?
A. Imposing risk management processes.
B. Taking accountability for risk management.
C. Providing consolidated reporting on risks.
D. Making decisions on risk responses.
Answer: (SHOW ANSWER)

NEW QUESTION: 45
When internal auditors are preparing workpapers for the testing stage of an engagement, which of the following guidelines should be observed?
1. Include copies of all client files that were reviewed for the audit.
2. Avoid the use of professional, industry-appropriate jargon and technical terms.
3. Indicate the original sources of all data and information used in the workpapers.
4. Leave blank space for cross-references to be completed during the post-audit process.
A. 1 and 4 only

B. 2 and 3 only
C. 3 and 4 only
D. 1 and 2 only
Answer: B (LEAVE A REPLY)

NEW QUESTION: 46
The director of purchasing, a certified internal auditor (CIA), signs a contract to procure a large order from a supplier whose products provide the best price, quality, and performance. A few days after signing the contract, the supplier presents the CIA with $1, 000 as a gift. Which statement regarding acceptance of the money is correct?
A. Because the CIA is not acting as an internal auditor, accepting the money would be governed only by the organization's code of conduct.
B. Accepting the money would violate the IIA Code of Ethics.
C. Accepting the money would be prohibited only if it were non-customary.
D. Because the contract was signed before the money was offered, accepting the money would not violate the IIA Code of Ethics.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 47
Which of the following is not one of the 10 core competencies identified in the IIA Competency Framework?
A. Governance, risk, and control.
B. Internal audit delivery.
C. Business acumen.
D. Performance management.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 48
Which of the following scenarios best illustrates a rationalization as the root cause of potential fraud?
A. The organization is slowly phasing out three mature products that produce the highest commissions for the sales staff.

B. Security cameras that monitor cash handling at the register are not functioning.
C. The controller at a nationwide manufacturing company recently opted to no longer require two-week mandatory vacations for accounting staff.
D. Managers who have been with the organization for several decades become aware that newly hired, younger managers are being moved more quickly into senior positions.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 49
Which of the following describes a key characteristic related to effective organizational communication?
A. Unique operating environments with varying complexity.
B. A well-designed system of internal controls.
C. Comprehensive supervisory and verification procedures.
D. A culture of integrity and transparency.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 50
Which of the following is a detective control strategy against fraud?
A. Implementing a control self-assessment.
B. Performing a surprise audit.
C. Requiring employees to attend ethics training.
D. Performing background checks on employees.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 51
An internal audit charter describes the mission and scope of the internal audit activity (IAA), responsibilities of the IAA, accountability of the chief audit executive, independence of the IAA, and standards followed by the IAA. Which of the following also should be included in the charter?
A. The IAA's right to have unrestricted access to functions, records, personnel, and physical property.
B. A detailed audit plan or program for the year.
C. The job specifications and descriptions of the internal audit staff.
D. The purpose of the IAA.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 52
Which of the following audit procedures would provide the most relevant information to identify discrepancies between budgeted versus actual raw material consumption in a production facility?
A. Inquiry.

B. Document verification.
C. Analytical review.
D. Observation.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 53
Which of the following control activities is the most effective to ensure users' levels of access are appropriate for their current roles?
A. The human resources department generates a monthly list of terminated and transferred employees and requests IT to update the user access as required.
B. System administrator rights are assigned to one user in each department who can update user access of terminated or transferred employees immediately.
C. Standardized user access profiles are developed and the appropriate access profiles are automatically assigned to new or transferred employees.
D. Department managers are required to perform periodic user access reviews of relevant systems and applications.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 54
Suspecting fraud, the chief financial officer (CFO) asked the internal audit activity to investigate a significant increase in travel related expenditures. Work was performed by a qualified internal auditor. Following the completion of the engagement, the chief audit executive (CAE) reported to the CFO that no violations were found and no fraud had occurred.
According to the Standards, which of the following principles did the CAE violate?
A. Due professional care.
B. Organizational independence.
C. Individual objectivity.
D. Proficiency.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 55
According to IIA guidance, the results of a formal quality assessment should be reported to which of the following groups?
A. The audit committee and senior management.
B. Senior management and the external auditors.
C. The audit committee and the external auditors.
D. Senior management and management of the audited area.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 56

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

NEW QUESTION: 57
According to IIA guidance, which of the following scenarios demonstrates an internal auditor exercising due professional care?
When auditing investments, the auditor identified instruments with which he was unfamiliar.
A. He decided not to select that type of investment in his sample, as he did not have the knowledge needed to perform a proper assessment.
B. An auditor in charge needed to have testing completed by the end of the month, but was behind schedule. He identified a junior auditor to conduct the work for him on a complex area of the organization.
C. An auditor was reviewing inventory counts conducted by the warehouse staff. One truck containing an immaterial amount of inventory was off-site and wasn't verified by the auditor.
D. An auditor visited a plant that produces a significant portion of the organization's inventory. The day he arrived, the plant manager was out sick, so the auditor issued the report without interviewing the manager.
Answer: (SHOW ANSWER)

NEW QUESTION: 58
A large sales organization maintains a system of internal control according to the COSO model and has updated its code of conduct. This change relates to which component of the COSO framework?
A. Control activities.
B. Information and communication.
C. Control environment.
D. Commitment.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 59

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

NEW QUESTION: 60
Evidence discovered during the course of an engagement suggests that multiple incidents of fraud have occurred. There do not appear to be sufficient controls in place to prevent reoccurrence. Which of the following is the internal auditor's most appropriate next step?
A. Provide the evidence that was discovered to local law enforcement for possible prosecution of the suspected fraud.
B. Immediately notify management of the area under review and the other internal auditors involved in the engagement.
C. Fully document in the workpapers the evidence that has been discovered and recommend appropriate controls to address the fraud.
D. Discuss the situation with the engagement supervisor to determine whether fraud investigation experts are required to investigate the matter properly.
Answer: (SHOW ANSWER)

NEW QUESTION: 61
Which of the following would most likely be considered a red flag for fraud?
A. An employee in charge of payroll disbursements has rotated these duties with several colleagues.
B. An employee with significant personal debt is in charge of handling large wire transfers for the organization.
C. A senior manager has been delegating the authority to sign-off on small dollar amount purchases to a subordinate.
D. An organization lacks a whistleblower hotline for reporting suspicious activity.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 62
Which of the following is the most effective strategy to manage the risk of foreign exchange losses due to sales to foreign customers?
A. Implement a hedging strategy.
B. Insist that customers only pay in a stable currency.
C. Maintain a large foreign currency balance.
D. Hire a risk consultant.
Answer: (SHOW ANSWER)

NEW QUESTION: 63
Which of the following decisions made during the testing phase of a compliance audit requires the most judgment by an internal auditor?
A. Which sampling methodology to select for testing.
B. Whether an individual expenditure is allowable.
C. What level of noncompliance is acceptable.
D. Which fields to examine on each invoice.
Answer: (SHOW ANSWER)

NEW QUESTION: 64
In which of the following scenarios would the chief audit executive (CAE) be required to decline the assignment?
A. There is no expertise within the internal audit team for auditing an IT engagement.
B. The CAE would need to procure external services to deliver the internal audit assurance program.
C. There is no expertise within the internal audit team for detecting and investigating fraud.
D. There is no available expertise on the internal audit team to perform a consulting engagement.
Answer: (SHOW ANSWER)

NEW QUESTION: 65
Which of the following is the most significant disadvantage of using checklists to evaluate internal controls?
A. They serve as a reminder of what controls should exist in a process.

B. They do not capture all controls that may exist.
C. They are useful in assessing risk.
D. They require yes/no responses to specific questions, not open-ended responses.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 66
According to IIA guidance, which of the following objectives of an assurance engagement for the organization's risk management process is valid?
A. The board is appropriately addressing intolerable risks.
B. Risks have been accurately analyzed and evaluated.
C. All controls are both adequate and efficient.
D. All risks have been identified and mitigated.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 67
A manufacturing line supervisor joins the internal audit activity for a two-year rotational job assignment and is assigned to an accounts receivable audit. With regard to this assignment, which of the following should be the primary concern of the audit manager?
A. Due professional care.
B. Organizational independence.
C. Individual objectivity.
D. Individual independence.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 68
Given the highly technical and legal nature of privacy issues, which of the following statements best describes the internal audit activity's responsibility with regard to assessing an organization's privacy framework?
A. The internal audit activity should have appropriate knowledge and competence to conduct an asses ....framework.
B. The internal audit activity may delegate to nonaudit IT specialists the responsibility of determining whether personal information has been secured adequately and data protection controls are sufficient.
C. If an organization does not have a mature privacy framework, the internal audit activity should assist in developing and implementing an appropriate privacy framework.
D. Because the audit committee is ultimately responsible for ensuring that appropriate control processes are in place to mitigate risks associated with personal information, the internal audit activity is C. required to conduct privacy assessments.
Answer: (SHOW ANSWER)

NEW QUESTION: 69

A new chief audit executive (CAE) of a large internal audit activity (IAA) is dissatisfied with the current amount and quality of training being provided to the staff and wishes to implement improvements. According to IIA guidance, which of the following actions would best help the CAE reach this objective?

A. Engage a consultant to benchmark the IAA's training program against its peers.

B. Require that all staff obtain a minimum of two relevant audit certifications.

C. Perform a gap analysis of the IAA's existing knowledge, skills and competencies.

D. Assign one experienced manager to better coordinate staff training and development activities.

Answer: (SHOW ANSWER)

NEW QUESTION: 70

To fill a critical vacancy, an internal auditor is assigned temporarily to a nonaudit role in the purchasing department, where she worked previously before joining the internal audit activity. According to IIA guidance, which of the following statements is true regarding these circumstances?

A. Any work performed by the auditor during her temporary assignment must conform to the internal audit charter.

B. The chief audit executive (CAE) should review all work performed by the auditor during her temporary assignment to ensure no impairments.

C. The auditor should obtain the CAE's approval as to the nature and scope of the duties she is permitted to perform during her temporary assignment.

D. The CAE may conduct audits in the purchasing department during the auditor's temporary assignment.

Answer: (SHOW ANSWER)

NEW QUESTION: 71

Which of the following would provide the best guidance to a chief audit executive who is setting internal audit staff requirements?

A. A review of audit staff education and training records.

B. Results from discussions of audit needs with executive management and the audit committee.

C. Information about the audit staff size and composition of comparable organizations.

D. The results of the audit staff's most recent performance reviews.

Answer: (SHOW ANSWER)

NEW QUESTION: 72

According to the COSO enterprise risk management (ERM) framework, which of the following is not part of the new paradigm in ERM?

A. Aligning risk appetite and strategy.

B. Enhancing risk response decisions.

C. Assessing the risk factors.
D. Reducing operational surprises and losses.
Answer: (SHOW ANSWER)

NEW QUESTION: 73
A chief audit executive (CAE) is reviewing the internal audit activity's performance and is concerned that the average number of revisions to findings is steadily rising, making it increasingly difficult to trace the finding to the supporting evidence and workpapers. According to MA guidance, which of the following elements of the internal audit activity's quality assurance and improvement program would provide the CAE with the most helpful insight into the cause of this problem?
A. The type of audit productivity and performance statistics reported.
B. The adequacy of the day-to-day supervision and review process.
C. The scope and frequency of external assessments.
D. The overall effectiveness of the internal audit activity's periodic self assessments.
Answer: (SHOW ANSWER)

NEW QUESTION: 74
According to IIA guidance, which of the following is an area in which the internal auditor should be proficient?
A. Management principles.
B. Fundamentals of accounting, economics, and finance.
C. Internal audit standards, procedures, and techniques.
D. Computerized information systems.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 75
Reviewing prior audit reports and supporting workpapers before an engagement starts enables an internal auditor to do which of the following?
1. To understand better the activity and processes that will be audited.
2. To identify the audit procedures that will be used during the engagement.
3. To ensure that matters of greatest vulnerability will be addressed.
4. To use the information obtained as evidence in the current engagement.
A. 4 only
B. 1 and 3 only
C. 1 and 4 only
D. 2, 3, and 4 only
Answer: B (LEAVE A REPLY)

NEW QUESTION: 76

Which of the following statements is true about The IIA Global Internal Audit Competency Framework?
A. The framework describes competencies needed for individual internal auditors, but not those necessary at the chief audit executive level.
B. The core competencies outlined in the framework are not expected of a person undertaking an entry-level position as an internal auditor.
C. The framework is designed to be used primarily by chief audit executives that are developing indicators to measure the performance of the internal audit activity for which they are responsible.
D. The framework lists the core competencies internal auditors should possess before attempting to attain The IIA's Certified Internal Auditor certification.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 77
Internal auditors must exercise due professional care by considering which of the following?
1. Cost of assurance in relation to potential benefits.
2. Adequacy and effectiveness of governance, risk management, and control processes.
3. Management's competency level in the area being evaluated.
4. Probability of significant errors, fraud, or noncompliance.
A. 2, 3, and 4 only
B. 1, 2, and 4 only
C. 1 and 2 only
D. 1, 2, and 3 only
Answer: B (LEAVE A REPLY)

NEW QUESTION: 78
When developing the organization's first risk universe, which of the following would the chief audit executive be least likely to consider?
A. The amount of risk that an organization is willing to seek or accept.
B. The extent and degree of interdependency for identified key risks.
C. The exposure to risks following management's risk responses.

D. The boundaries established to manage the amount of risk taken.
Answer: (SHOW ANSWER)

NEW QUESTION: 79
Which of the following enhances the independence of the internal audit activity?
A. The chief audit executive (CAE) approves the annual internal audit plan.
B. The CAE administratively reports to the board.
C. The audit committee approves the CAE's annual salary increase.
D. The chief executive officer approves the internal audit charter.
Answer: (SHOW ANSWER)

NEW QUESTION: 80
In which of the following functions would fraud be most likely to occur?
A. Collecting payments on accounts.
B. Approving changes to employee records.
C. Preparing customer statements.
D. Maintaining custody of inventory records.
Answer: (SHOW ANSWER)

NEW QUESTION: 81
The internal audit activity is planning a procurement audit and needs to obtain a thorough understanding of the subcontracting process, which can involve multiple individuals in multiple countries.
Which of the following internal audit tools would be most effective to document the process and the key controls?
A. Internal control checklist.
B. Segregation of duties matrix.
C. Procurement employee survey.
D. Cross-functional flow chart.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 82
According to the COSO enterprise risk management framework, which of the following best describes the activity that helps ensure risk responses are carried out effectively?
A. Control activities.
B. Information and communication.
C. Event identification.
D. Objective setting.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 83

According to IIA guidance, which of the following should be formally documented in the internal audit charter?
A. The internal audit activity's responsibility for imposing risk management processes.
B. The internal audit activity's responsibility for the organization's governance framework.
C. The budgeting process for the internal audit activity.
D. The nature of consulting services provided by the internal audit activity.
Answer: (SHOW ANSWER)

NEW QUESTION: 84
An internal audit charter should do which of the following?
A. Outline the schedule of future audits.
B. Define the scope of internal audit activities.
C. Communicate the internal audit activity's goals.
D. Establish the size of the internal audit activity.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 85
Which of the following are core responsibilities to be included in the internal audit charter?
1. Review reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
2. Determine the adequacy and effectiveness of the organization's systems of internal accounting and operating controls.
3. Participate in the planning and performance of audits of potential acquisitions with the organization's outside accountants and other members of the corporate staff.
4. Report to those members of management who should be informed of results of audit examinations, the audit opinions formed, and the recommendations made.
A. 1 and 4.
B. 2 and 3.
C. 2 and 4.
D. 1 and 2.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 86
Which of the following actions best demonstrates that an internal auditor is exercising due professional care?
A. The auditor is alert to the possibility of fraud and activities where irregularities are most likely to occur.
B. The auditor performs thorough reviews and provides absolute assurance of regulatory compliance.
C. The auditor is cognizant of reducing travel expenses by combining a personal vacation with a business trip.

D. The auditor recommends improvements for all of the organization's procedures and practices.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 87
A furniture manufacturer has installed a new fire sprinkler system at its central warehouse and canceled the existing fire insurance policy on that property. What change of risk response strategy does this course of action most likely reflect?
A. From sharing to reduction.
B. From acceptance to reduction.
C. From acceptance to avoidance.
D. From sharing to avoidance.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 88
Which of the following types of social responsibilities is voluntary and guided purely by the organization's desire to make social contributions?
A. The bottom of the pyramid responsibility.
B. Ethical responsibility.
C. Innovative responsibility.
D. Discretionary responsibility.
Answer: (SHOW ANSWER)

NEW QUESTION: 89
Which two of the following are preventive controls in a check disbursement process?
1. Daily reconciliation of the bank account used for check disbursements and prompt follow-up of un-reconciled items.
2. Segregation of the following duties: establishing new vendors, approving checks, and reconciling the bank account.
3. An activity report detailing who accesses the check disbursement system and the nature of any action taken in the system.
4. Evidence of strong access controls ensuring that authorized individuals have access only to the functions related to their responsibilities.
A. 2 and 4.
B. 1 and 3.
C. 2 and 3.
D. 1 and 4.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 90

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

NEW QUESTION: 91
Which of the following statements is true with regard to conducting an effective quality assurance and improvement program?
A. Members of the internal audit activity are not permitted to perform quality assessments, as they would not be independent.
B. Periodic internal assessments provide the most current and independent recommendations for improvement.
C. The conclusions of periodic internal assessments are intended to assist in achieving conformity to the Standards.
D. The IIA's Quality Assessment Manual for the Internal Audit Activity must be used as the basis for periodic assessments.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 92
Which segregation of duties would best reduce the risk of payroll fraud?
A. Human resources personnel add employees, payroll personnel process hours, and human resources personnel deliver paychecks to employees.
B. Human resources personnel add employees and enter employee bank information. Payroll personnel process hours, and paychecks are automatically deposited in the employee's bank account.
C. Human resources personnel add employees, review and submit payroll hours to the payroll department for processing, and deliver paychecks to employees.

D. Human resources personnel add employees, and payroll personnel process hours and enter employee bank account numbers. Paychecks are automatically deposited in the employee's bank account.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 93

Which of the following is a weakness of observation as audit evidence?

A. It cannot be used to test the occurrence assertion.

B. It cannot be used to test the completeness assertion.

C. It cannot be used to test the existence assertion.

D. It cannot be relied upon because the evidence is not persuasive.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 94

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

A. Both assurance and consulting services generally involve the internal auditor, the area under review, senior management, and the board.

B. When planning assurance and consulting engagements, internal auditors must consider the strategies and objectives of the activity being reviewed.

C. Internal auditors must not provide assurance or consulting services for an activity for which they had responsibility within the previous year.

D. Internal auditors determine the engagement objectives, scope, and work program for both assurance and consulting services.

Answer: (SHOW ANSWER)

NEW QUESTION: 95

An accounts receivable clerk receives cash payments, posts the payments to customer accounts, and prepares the daily cash deposit.

The clerk has been stealing some cash and manipulating the customer payments to hide the theft.

This fraud could be detected with which of the following controls?

A. Monthly bank reconciliations are performed by the clerk on a timely basis.

B. Names, amounts, and dates on remittance advices are reconciled with the names, amounts, and dates recorded in the cash receipts journal.

C. Total cash deposits are compared with the bank reconciliation.

D. Total cash deposits for the month are reconciled to the cash receipts journal.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 96

According to IIA guidance, which of the following must the internal auditor consider to meet the requirements for due professional care?

A. The use of innovative technology and data analysis techniques.

B. The training courses necessary to enhance the internal auditor's knowledge, skills, and other competencies.

C. The extent of work needed to achieve the engagement's objectives.

D. The appropriateness of assurance procedures necessary to ensure all significant risks will be identified.

Answer: (SHOW ANSWER)

NEW QUESTION: 97

Which of the following statements describes a control failure that is not directly attributable to a customer billing application?

1. End users have raised a number of concerns regarding data integrity.
2. An untested program change is transferred from the test environment to production.
3. Purchase history does not reconcile with accounts receivable for some customers.
4. End user security is inadvertently granted to an unauthorized individual by management.

A. 1 and 4.

B. 1 and 3.

C. 2 and 4.

D. 2 and 3.

Answer: (SHOW ANSWER)