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NEW QUESTION: 1
What are the typical elements of a risk and control matrix used in the engagement planning process?
A. Experience level of key management personnel, susceptibility of the process to fraud, and process automation.
B. Inherent process risks, as defined in a globally accepted risk and control framework.
C. Business objectives, risks to the objectives, and impact and likelihood of the risk occurring.
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Risk and Control Matrix: A risk and control matrix links business objectives, the risks threatening those objectives, and the likelihood and impact of the risks. It is used to prioritize areas for review and identify necessary controls.

NEW QUESTION: 2
Which of the following best describes the difference between inherent risk and residual risk?
A. Inherent risk is the level of risk before the risk assessment process, residual risk is the level of risk remaining after completing the risk assessment process.
B. Inherent risk is the level of risk the organization is willing to accept, residual risk is the level of risk deemed unacceptable by the organization.
C. Inherent risk is the level of risk in the absence of any targeted actions or controls to alter its severity, residual risk is the risk remaining after implementing corrective actions.
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Definitions from Risk Management Frameworks (e.g., COSO ERM):

* Inherent Risk: The raw or natural level of risk before any controls or mitigating actions are applied.
* Residual Risk: The remaining level of risk after implementing controls or risk responses.
* Reasoning:
* Option C is correct because it captures the essence of inherent risk as the baseline risk level and residual risk as the mitigated level after control actions.
* Option A inaccurately states that residual risk is tied to the completion of a risk assessment process instead of mitigation actions.
* Option B confuses inherent risk with risk appetite, which reflects the organization's tolerance for risk.
* Significance of Differentiation:
* Understanding both risk levels helps prioritize resources for managing critical risks and improving controls.

NEW QUESTION: 3
Management has decided that transactions less than $50 no longer require authorization. Which of the following risk management strategies does this represent?
A. Avoid.
B. Accept.
C. Reduce.
Answer: B (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Risk Acceptance: By deciding that transactions below $50 do not require authorization, management is consciously accepting the low-level risk associated with this decision to streamline processes and reduce administrative burdens.

NEW QUESTION: 4
Which of the following best demonstrates that appropriate and sufficient resources were allocated to an audit engagement to achieve its objectives?
A. Staff skills audit.
B. Approved engagement work program.
C. Post-engagement survey of management of the audited area.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to IIA Standards:
* Standard 2200 - Engagement Planning: The engagement work program outlines the resources, timelines, and procedures necessary to achieve the engagement's objectives.
* The work program must be approved to ensure alignment with objectives and resource requirements.
* Reasoning:

* Option B is correct because an approved engagement work program confirms that the scope, procedures, and resources were planned and allocated effectively.
* Option A (staff skills audit) evaluates team competencies but does not confirm specific resource allocation for an engagement.
* Option C (post-engagement survey) evaluates the outcome of the audit but does not provide evidence of initial resource planning.
* Significance of the Work Program:
* The work program ensures that the engagement is structured to meet objectives efficiently, with adequate and relevant resources.

NEW QUESTION: 5
Which of the following internal auditor attributes benefits the most from continuous professional development?
A. Integrity.
B. Objectivity.
C. Competency.
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Competency: Continuous professional development ensures auditors maintain and enhance their knowledge, skills, and expertise, directly supporting their ability to perform engagements effectively.

NEW QUESTION: 6
A newly hired internal auditor has been asked to examine the sales of a specific product over the last four years. Which of the following analytical review techniques should the auditor employ?
A. Ratio analysis.
B. Trend analysis.
C. External benchmarking.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to Analytical Techniques:
* Trend Analysis involves examining data over a period to identify patterns, shifts, or anomalies.
* This technique is appropriate for longitudinal data like sales over four years.
* Reasoning:
* Option B (Trend analysis) is correct as it helps the auditor analyze sales performance over time and identify patterns or deviations.
* Option A (Ratio analysis) compares related metrics, such as profitability or liquidity, but does not focus on changes over time.

* Option C (External benchmarking) involves comparing performance to external standards or competitors, not internal historical data.
* Application in Audit:
* Trend analysis allows the auditor to assess growth, seasonal patterns, or irregularities in sales data, providing actionable insights.

NEW QUESTION: 7
Which of the following describes an internal auditor's use of external benchmarking?
A. The auditor calculates the net profit margin for a business segment to analyze the profitability.
B. The auditor compares return on equity for a beverage company against its competitor to analyze profitability.
C. The auditor evaluates operating income margin between geographical areas within an organization to analyze its profitability.
Answer: B (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to Benchmarking:
* External benchmarking involves comparing the organization's metrics with those of other entities, typically competitors or industry averages.
* Standard 1210 - Proficiency: Internal auditors must have knowledge to evaluate performance against external benchmarks effectively.
* Reasoning:
* Option B demonstrates external benchmarking by comparing the organization's return on equity with a competitor's performance.
* Option A and Option C focus on internal analysis within the organization and do not use external references.
* Application in Internal Auditing:
* External benchmarking identifies competitive gaps, informs strategic decisions, and supports recommendations for improvement.

NEW QUESTION: 8
An internal auditor was assigned to a payroll process audit engagement. At which stage of engagement planning would the auditor conduct a risk assessment?
A. After allocating resources.
B. After determining audit engagement objectives.
C. After documenting the process.
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Risk Assessment in Planning: Conducting a risk assessment typically follows documentation of the process, as understanding the process provides the necessary context for identifying and evaluating risks.

NEW QUESTION: 9
Which of the following scenarios would be the strongest indicator of fraud in an accounts payable process?
A. The accounts payable manager was unable to provide documentation relating to travel expenses on one of the samples selected.
B. The invoices submitted by one of the organization's vendors are more than six months old.
C. The address on one of the vendor invoices matches an employee's residential address.
Answer: C ([LEAVE A REPLY]())
Comprehensive and Detailed Step-by-Step Explanation:
* Address Matches an Employee's Residence: This is a strong indicator of fraud, as it suggests the possibility of a fictitious vendor created to divert funds to the employee.

NEW QUESTION: 10
Which of the following statements is true regarding root cause analysis?
A. Root cause analysis enables internal auditors to improve the effectiveness and efficiency of the organization's governance, risk management, and control processes.
B. Root cause analysis is a simple, straightforward tool that can be implemented by internal auditors who may not possess relevant subject matter expertise.
C. Root cause analysis enables internal auditors to reveal multiple causes and recommend control enhancements for each cause identified.
Answer: C ([LEAVE A REPLY]())
Comprehensive and Detailed Step-by-Step Explanation:
* Root Cause Analysis: This method identifies underlying causes of issues rather than just addressing symptoms, allowing internal auditors to recommend targeted improvements to controls and processes.
By identifying multiple causes, auditors can propose tailored control enhancements to address each cause effectively.

NEW QUESTION: 11
Which of the following best describes a compliance audit engagement?
A. The auditor reviews controls of the oil shale mining process to assess adherence to safety regulations established by local authorities.
B. The auditor analyzes the economic activity of the organization as measured and reported using international accounting standards.
C. The auditor conducts a review to provide assurance that the external service provider of maintenance for the organization has an effective risk management process.
Answer: A ([LEAVE A REPLY]())
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to Compliance Auditing:

* Definition: Compliance audits assess adherence to external laws, regulations, or internal policies and procedures.
* Standard 2130 - Control: Internal audit must evaluate the adequacy and effectiveness of controls to ensure compliance with applicable laws and regulations.
* Reasoning:
* Option A is correct because assessing adherence to safety regulations is a compliance activity focused on legal and regulatory conformity.
* Option B (analyzing economic activity) relates more to financial auditing or accounting standards compliance, not regulatory compliance.
* Option C (reviewing an external service provider's risk management process) aligns with a risk or assurance engagement, not compliance.
* Impact of Compliance Audits:
* Ensuring adherence to legal requirements protects the organization from regulatory penalties and enhances operational integrity.

NEW QUESTION: 12
What is the purpose of establishing engagement objectives during the planning phase of an internal audit?
A. To ensure that audit procedures are designed to address the risks relevant to the area being audited.
B. To ensure that all auditors have a common understanding of the area being audited.
C. To ensure that the work performed by other internal or external assurance providers is considered during audit planning.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to IIA Standards:
* Standard 2210 - Engagement Objectives: Internal auditors must establish objectives for each engagement to align with the organization's goals and address identified risks.
* Reasoning:
* Option A is correct because engagement objectives focus on ensuring audit procedures target and mitigate identified risks effectively.
* Option B (common understanding) is important for team alignment but is secondary to risk- focused objectives.
* Option C (considering work of other assurance providers) is part of planning but not the primary purpose of setting objectives.
* Importance of Objectives:
* Engagement objectives drive the audit's focus, ensuring that procedures are purposeful and tailored to mitigate relevant risks.

NEW QUESTION: 13

During a procurement process consulting engagement, the internal auditors reviewed contracts for the hospital's supply of medicine. Which of the following would the internal auditors most likely recommend to improve the effectiveness of the procurement process?

A. The procurement process should begin with clearly specified needs.

B. The procurement process must be comprehensively documented.

C. Only qualified procurement professionals should manage the procurement process.

Answer: A (LEAVE A REPLY)

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to Best Practices in Procurement:

* Clearly specifying needs at the outset ensures that procurement decisions align with organizational objectives and operational requirements.

* Reasoning:

* Option A is correct because specifying needs at the beginning helps avoid over-purchasing, under-purchasing, or acquiring unsuitable items, thus improving the overall effectiveness of the procurement process.

* Option B (comprehensive documentation) is important for transparency and compliance but does not directly improve the effectiveness of procurement outcomes.

* Option C (qualified professionals) ensures competence but is secondary to having clear, specified needs driving the process.

* Impact of Clear Needs Specification:

* It ensures the procurement process delivers value, meets quality requirements, and aligns with operational demands.

NEW QUESTION: 14

Which of the following is an element of a well-formed audit recommendation?

A. Factual evidence identified during the engagement.

B. Measures to prevent recurrence of the condition.

C. Factors that allowed the condition to exist.

Answer: B (LEAVE A REPLY)

Comprehensive and Detailed Step-by-Step Explanation:

* Reference to Audit Recommendations:

* According to the IIA Standards, a recommendation must be actionable, specific, and designed to address the root cause of an identified issue.

* Reasoning:

* Option B is correct because effective recommendations focus on preventing recurrence by addressing root causes or implementing control measures.

* Option A (factual evidence) supports findings but does not constitute the recommendation itself.

* Option C (factors allowing the condition) provides context for findings but does not include actionable measures to resolve or prevent the issue.

* Key Components of a Recommendation:

* Recommendations should propose practical solutions to mitigate risks, improve processes, or enhance controls.
* Measures to prevent recurrence align with the goal of sustainable improvements.

NEW QUESTION: 15
Which of the following would provide the most reliable information on a process under review?
A. Documentation of a walkthrough conducted on the process under review
B. Testimonial evidence, such as survey responses, on the process under review
C. Benchmarking information on the process under review compared to similar industries or organizational units
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Walkthrough Documentation: A walkthrough involves direct observation of the process and verification of controls, making it one of the most reliable sources of evidence.

NEW QUESTION: 16
A senior police officer was in charge of the cash fund used for undercover operations. In this situation, which of the following would likely be considered a red flag?
A. The officer has no professional qualifications.
B. The officer appears to be living beyond his means.
C. The officer never speaks about the operations.
Answer: B (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Living Beyond Means: This is a classic red flag for potential fraud. It suggests that the officer may be using unauthorized funds to support an extravagant lifestyle, particularly when they have access to a cash fund with limited oversight.

NEW QUESTION: 17
Which of the following is considered an organization-level control, as opposed to process-level or transaction- level?

A. Personnel policies requiring the employment of competent personnel, based on training and experience, to manage complex functions such as accounting and financial reporting.
B. Supervision of finance employees, including day-to-day oversight and periodic performance evaluations.
C. Segregated budgeting responsibilities of finance employees, including review and approval of financial reports.
Answer: A (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Organization-Level Controls: These controls address risks at the entity-wide level, such as governance, tone at the top, and policies affecting multiple processes. Personnel policies requiring qualified employees are an organization-level control as they apply broadly across the organization.

NEW QUESTION: 18
An internal auditor wants to use computerized audit tools and techniques. Which of the following is a common obstacle that the auditor is likely to face?
A. Difficulty obtaining access privileges to relevant and reliable data.
B. A lack of specialist IT skills needed to use the tools.
C. Difficulty getting the requisite IT personnel to conduct the tests.
Answer: A (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Challenges with Computer-Assisted Audit Tools (CAATs):
* One of the most common issues auditors face is obtaining access to the data needed for analysis, especially when data is stored in secure or restricted systems.
* Access issues may arise due to technical restrictions, security policies, or inadequate documentation of data sources.
* Reasoning:
* Option A is correct because gaining access to relevant, complete, and reliable data is a frequent challenge when using computerized audit tools.
* Option B is less common, as CAATs are often designed for use by auditors without requiring advanced IT skills.
* Option C refers to reliance on IT personnel, which is less relevant for independent auditors using their own tools.
* Mitigating Access Challenges:
* Establishing clear communication with IT and obtaining necessary approvals in advance can help overcome data access issues.

NEW QUESTION: 19
Which of the following statements is appropriate to include in a high-quality internal audit engagement communication?

A. The internal audit team conducted a review of the financial reporting process prior to year-end. The overall findings have been provided for management's consideration prior to the completion of the organization's annual external financial audit.
B. The internal audit team noted numerous weaknesses in the organization's internal controls over financial reporting. The team recommends that management determine the root cause of the weaknesses.
C. The internal audit team conducted an engagement under the assumption that significant control weaknesses were likely. The purpose of the review was to uncover those weaknesses.
Answer: A (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to IIA Standards:
* Standard 2420 - Quality of Communications: Reports should be accurate, objective, clear, concise, constructive, and complete.
* Findings must be presented factually and free from assumptions or bias.
* Reasoning:
* Option A is correct because it presents the purpose, timing, and findings in a clear and professional manner, allowing management to take informed action.
* Option B lacks balance and shifts responsibility for identifying root causes to management without actionable recommendations.
* Option C includes a biased assumption, undermining the report's objectivity and professionalism.
* Impact of Quality Communication:
* High-quality communications support decision-making by presenting findings and recommendations constructively.

NEW QUESTION: 20
Which of the following actions could the chief audit executive take to most directly support the requirement that internal auditors maintain proficiency?
A. Develop a risk-based internal audit plan
B. Provide training and mentoring opportunities
C. Obtain approval of the internal audit activity's purpose, authority, and responsibility
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Training and Mentoring: Offering continuous training and mentoring ensures auditors enhance their skills and maintain proficiency, aligning with IIA Standard 1230: Continuing Professional Development.

NEW QUESTION: 21

The internal audit activity has been tasked with evaluating the effectiveness of the organization's risk management processes. Which of the following activities are appropriate and relevant to consider in the overall evaluation?
A. The chief audit executive's observations of the organization's finance committee
B. An external audit of the organization's corporate social responsibility and sustainability management, including communication of findings to management and the board
C. Evaluation of risk management effectiveness obtained during multiple audit engagements over the past year
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Ongoing Risk Evaluation: Insights gathered from multiple audit engagements over the past year provide a broad and detailed perspective on the effectiveness of risk management across the organization.

NEW QUESTION: 22
The chief audit executive scheduled an exit meeting to discuss conclusions and recommendations with management before issuing the final engagement communication. Which of the following describes the primary reason that the exit meeting should be documented?
A. The Standards require that the internal auditor document exit meetings
B. The information may be needed if a disagreement about the content arises
C. The results of the discussion form part of the internal auditor's performance review
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Exit Meetings: The purpose of an exit meeting is to ensure that management understands and agrees (or documents any disagreements) with the audit findings, conclusions, and recommendations. Proper documentation ensures that there is a record of the discussion, which can be referred to later if disputes arise about the content.

NEW QUESTION: 23
The engagement supervisor is coordinating an audit of investments and needs to select an audit team member to determine the test attributes. Which of the following team members is most appropriate for the engagement supervisor to select?
A. An auditor who transferred from the investment department six months prior and has expert knowledge of investments.
B. An auditor with strong leadership skills who has experience leading projects for the IT audit department.
C. An auditor who has investment audit experience from a previous organization, but who has never performed investment audits at the current organization.
Answer: A (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:

* Reference to IIA Standards:
* Standard 1210 - Proficiency: Internal auditors must possess the necessary knowledge, skills, and competencies to conduct audits effectively.
* The auditor should have the relevant expertise to evaluate investment-related test attributes.
* Reasoning:
* Option A is correct because the auditor has direct knowledge and expertise in investments, making them the most qualified to determine the relevant test attributes for the audit.
* Option B (IT audit experience) does not align with the specific skills required for investment auditing.
* Option C (previous experience) may offer some advantage, but the lack of familiarity with the current organization's processes limits the auditor's effectiveness.
* Importance of Expertise:
* Selecting an auditor with relevant experience and proficiency ensures that the audit will be conducted with accuracy and that the proper test attributes will be identified.

NEW QUESTION: 24
Which of the following would best support the overall risk assessment?
A. Policies and process procedures provided by the manager of the process under review.
B. Process narratives and process maps with descriptions of risks and controls.
C. Detailed organizational charts to understand roles and reporting lines in the area under review.
Answer: B (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Process Narratives and Maps: These provide a comprehensive view of the process, including descriptions of risks and controls, making them the most relevant for supporting risk assessments. They help identify gaps or weaknesses in the control environment.

NEW QUESTION: 25
Which of the following is a common computer-assisted audit tool used to analyze data?
A. Social media
B. Spreadsheet software
C. Word processing software
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Spreadsheet Software: Tools like Microsoft Excel are commonly used for data analysis in auditing due to their powerful data manipulation, calculation, and visualization capabilities.
* Example: Auditors use spreadsheets for sampling, trend analysis, and creating pivot tables.

NEW QUESTION: 26
According to The IIA's Code of Ethics, which of the following best illustrates the principle of confidentiality?
A. The auditor refused to use information learned during an audit to diversify his financial portfolio.
B. The auditor declined to delegate critical audit lead responsibilities to a new auditor.
C. The auditor declined to lead an audit of a department in which his nephew is the manager.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to the IIA Code of Ethics - Confidentiality:
* The principle of confidentiality requires internal auditors to respect and protect the value of information obtained during the course of their work and to avoid using it for personal gain.
* Reasoning:
* Option A is correct because refusing to use audit information for personal financial gain directly aligns with the principle of confidentiality.
* Option B relates to competency and professional judgment, not confidentiality.
* Option C pertains to avoiding conflicts of interest, which is an example of the principle of objectivity.
* Application of Confidentiality:
* Internal auditors must safeguard sensitive information and use it solely for legitimate audit purposes.

NEW QUESTION: 27
During which stage of an audit engagement would the engagement supervisor identify the tasks that were already completed and the remaining tasks to be performed?
A. When allocating resources.
B. When developing the test approach.
C. When documenting the work program.
Answer: C (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
The engagement supervisor identifies tasks that are completed and remaining tasks during the process of documenting the work program.
* Reference to IIA Standards:
* According to the IIA's Performance Standards 2200 - Engagement Planning, an internal audit work program should detail the procedures necessary to achieve the engagement's objectives.
* Standard 2240 - Engagement Work Program explicitly states that internal auditors must develop and document work programs that achieve the objectives of the engagement.
* Key Responsibilities:

* Documenting the work program involves listing tasks already performed to avoid redundancy and tasks remaining to ensure coverage of all planned activities.
* Supervisors are responsible for overseeing this process and ensuring the work aligns with the overall engagement plan.
* Relevance to Audit Practice:
* The work program serves as a roadmap for auditors, detailing specific steps to be taken.
* Identifying completed and pending tasks ensures proper time management and resource allocation during the engagement.

NEW QUESTION: 28
Which of the following conditions would threaten an internal auditor's objectivity?
A. Providing assurance services over the activity where the internal auditor was employed 10 months prior.
B. Using knowledge that the internal auditor gained in his previous position to update systems and controls descriptions.
C. Providing consulting services over the activity where the internal auditor was employed two years prior.
Answer: A (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to IIA Standards:
* Standard 1120 - Individual Objectivity: Internal auditors should avoid situations that impair their ability to provide unbiased assurance.
* Practice Advisory 1130.A1-1: Objectivity is impaired if auditors audit activities they previously managed within the last 12 months.
* Reasoning:
* Option A is correct because the auditor's recent role in the audited area creates a conflict of interest and threatens objectivity.
* Option B does not impair objectivity; leveraging prior knowledge is permissible if applied objectively.
* Option C (consulting services two years prior) does not impair objectivity due to the elapsed time.
* Mitigating Actions:
* Auditors with recent involvement in an audited area should disclose the conflict and be reassigned to preserve objectivity.

NEW QUESTION: 29
As part of the annual training plan, the chief audit executive (CAE) has arranged for a local audit training institute to provide an in-house training session for the internal audit team.
Which of the following best explains the primary purpose of this approach?
A. It helps the internal auditors maintain a required level of proficiency.

B. It helps the internal audit activity attain an appropriate organizational status to maintain independence.
C. It assists the CAE with assessing the results of the internal audit team's development efforts.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Reference to IIA Standards:
* Standard 1210 - Proficiency: Internal auditors must possess the knowledge, skills, and competencies needed to perform their responsibilities.
* Continuous professional development ensures the internal audit team maintains proficiency.
* Reasoning:
* Option A is correct because training enhances the skills and proficiency of the internal audit team, aligning with the requirement to maintain technical and professional competence.
* Option B (organizational status for independence) relates to governance and reporting relationships, not training.
* Option C (assessing development efforts) is a secondary benefit and not the primary goal of providing training.
* Impact of Training:
* A well-trained audit team improves the quality of engagements, ensures adherence to professional standards, and supports the overall effectiveness of the internal audit activity.

NEW QUESTION: 30
Which of the following statements is true regarding engagement status meetings?
A. They are expected to enhance the relationships between the internal audit activity and management of the area under review.
B. They mainly involve one-way communication from the internal auditor to management of the area under review.
C. They should involve the chief audit executive and senior management.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:
* Enhancing Relationships: Status meetings facilitate two-way communication, keeping management informed about audit progress and fostering collaboration. Open discussions during these meetings help address concerns and strengthen the relationship between internal audit and management.

NEW QUESTION: 31
Which of the following analytical procedures would be most effective for an internal auditor to examine changes in performance over time?
A. Trend analysis

B. Ratio analysis
C. Analysis of common size financial statements
Answer: A (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Trend Analysis: This technique identifies patterns or shifts in performance by analyzing data over time. It is particularly effective for tracking metrics like revenue, expenses, or production volumes across reporting periods to spot anomalies or trends.

NEW QUESTION: 32
A senior internal auditor is using a risk and control matrix to facilitate an internal control assessment of the fixed asset accounting process. Which of the following activities would aid the auditor in determining inputs for the risk and control matrix?
A. Reviewing the results of control effectiveness testing of the fixed asset capitalization subprocess.
B. Interviews with fixed asset management, control process walkthroughs, and internal control questionnaires.
C. Management's cost-benefit analysis of internal control alternatives considered in the design of the fixed asset accounting process.
Answer: B (LEAVE A REPLY)
Comprehensive and Detailed Step-by-Step Explanation:
* Gathering Inputs for the Matrix: Interviews, walkthroughs, and questionnaires are primary tools for gathering detailed insights into risks, controls, and processes. These activities provide the information necessary to populate a risk and control matrix effectively.

NEW QUESTION: 33
Which of the following is the most important initial action for a chief audit executive to perform when establishing a new internal audit activity?
A. Establish an internal audit charter.
B. Establish a code of ethics for the internal audit activity.
C. Approve the internal audit budget.
Answer: (SHOW ANSWER)
Comprehensive and Detailed Step-by-Step Explanation:

* Reference to IIA Standards:
* Standard 1000 - Purpose, Authority, and Responsibility: The internal audit charter must define the purpose, authority, and responsibility of the internal audit activity and establish its position within the organization.
* The charter is foundational to the independence, authority, and effectiveness of the internal audit activity.
* Reasoning:
* Option A is correct because the charter formalizes the internal audit activity's role and ensures alignment with organizational governance. Without a charter, the internal audit function cannot operate effectively or independently.
* Option B (establishing a code of ethics) is important but is part of overall compliance with IIA Standard 1300 - Quality Assurance and Improvement Program and is not the first step.
* Option C (approving the budget) is administrative and secondary to establishing the internal audit charter.
* Importance of the Audit Charter:
* The charter provides the internal audit activity with the mandate to perform its duties, ensuring accountability and defining its scope and authority.