



## **IIA**

### **Exam Questions IIA-CIA-Part1**

Certified Internal Auditor - Part 1, The Internal Audit Activity's Role in Governance, Risk, and Control

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#### NEW QUESTION 1

Which of the following statements accurately describes the responsibility of the internal audit activity regarding IT governance?

- \* 1. The internal audit activity does not have any responsibility because IT governance is the responsibility of the board and senior management of the organization.
- \* 2. The internal audit activity must assess whether the IT governance of the organization supports the organization's strategies and objectives.
- \* 3. The internal audit activity may assess whether the IT governance of the organization supports the organization's strategies and objectives.
- \* 4. The internal audit activity may accept requests from management to perform advisory services regarding how the IT governance of the organization supports the organization's strategies and objectives.

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

**Answer: A**

#### NEW QUESTION 2

Which of the following documents is most appropriate in promoting the objectivity of the internal audit activity?

- A. Usage of IT system policy.
- B. Risk management framework.
- C. Acceptance of gifts policy.
- D. Personal responsibility policy.

**Answer: C**

#### NEW QUESTION 3

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 overall effectiveness of the internal audit activity's periodic self assessments.
- B. The type of audit productivity and performance statistics reported.
- C. The adequacy of the day-to-day supervision and review process.
- D. The scope and frequency of external assessments.

**Answer: C**

#### NEW QUESTION 4

According to IIA guidance, which of the following statements about working papers is false?

- A. They assist in the implementation of recommendations.
- B. They provide support for communication to third parties.
- C. They demonstrate compliance with auditing standards.
- D. They contribute to development of the internal audit staff.

**Answer: A**

#### NEW QUESTION 5

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**

#### NEW QUESTION 6

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. Innovative responsibility.
- C. Ethical responsibility.
- D. Discretionary responsibility.

**Answer: C**

#### NEW QUESTION 7

During an audit, the client questions the internal audit activity's authority to perform procedures over fraud allegations. According to HA guidance, which of the following would provide the most relevant support to respond to the client's concerns?

- A. Definition of Internal Auditing.
- B. MA Standards.

- C. Internal audit charter.
- D. The IIA's Code of Ethics.

**Answer: C**

#### NEW QUESTION 8

According to COSO, which of the following describes a principle related to the control environment?

- A. The organization identifies and assesses changes that could significantly impact the system of internal control.
- B. The organization establishes appropriate authorities and responsibilities in the pursuit of objectives.
- C. The organization selects and develops control activities that contribute to the mitigation of risks.
- D. The organization performs evaluations to ascertain whether internal control components are present and functioning.

**Answer: B**

#### NEW QUESTION 9

Which of the following is the most common way that occupational fraud is detected?

- A. Internal audits.
- B. Whistleblower hotline.
- C. Key controls.
- D. External audits.

**Answer: B**

#### NEW QUESTION 10

Which of the following is the best way to detect fraud?

- A. Conduct anti-fraud training.
- B. Perform background investigations.
- C. Implement process controls.
- D. Activate a whistleblower hotline.

**Answer: D**

#### NEW QUESTION 10

An internal audit charter, approved by the board, restricts the internal audit activity to providing assurance only on the reliability of financial information and the effectiveness of internal accounting controls. Which of the following statements is true regarding the extent to which the external auditor may rely on the internal audit activity's work?

- A. The external auditor may make full use of the work, as the audit charter is very specific as to the work the internal audit activity may undertake.
- B. The external auditor may use the work, as the board has approved the charter, thus taking responsibility for any deficiencies.
- C. The external auditor must disregard the work, as the scope of the charter may introduce bias and result in a lack of due professional care.
- D. The external auditor may use the work with caution, due to the internal audit activity's scope and responsibility restrictions.

**Answer: D**

#### NEW QUESTION 13

Sometimes, internal audit staff may partner with operating managers to rank risks. Which of the following outcomes may be the most beneficial aspects of this strategy?

- \* 1. Reappraising risks levels.
- \* 2. Providing accurate information to management.
- \* 3. Marketing the internal audit activity.
- \* 4. Planning safeguards for assets in high-risk areas.

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

**Answer: B**

#### NEW QUESTION 15

According to the International Professional Practices Framework, which of the following are allowable activities for an internal auditor?

- \* 1. Advocating the establishment of a risk management function.
- \* 2. Identifying and evaluating significant risk exposures during audit engagements.
- \* 3. Developing a risk response for the organization if there is no chief risk officer.
- \* 4. Benchmarking risk management activities with other organizations.
- \* 5. Documenting risk mitigation strategies and techniques.

- A. 4 and 5 only.
- B. 1, 2, and 3 only.
- C. 1, 2, 4, and 5 only.
- D. 2, 3, 4, and 5 only.

**Answer: C**

#### NEW QUESTION 19

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

- A. Automatic shut-off valve.
- B. Auto-correct software functionality.
- C. Confirmation with suppliers and vendors.
- D. Safety instructions.

**Answer: C**

#### NEW QUESTION 23

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 boundaries established to manage the amount of risk taken.
- D. The exposure to risks following management's risk responses.

**Answer: D**

#### NEW QUESTION 28

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

- A. The residual risk is lower than or equal to the risk appetite.
- B. The residual risk is higher than or equal to the risk appetite.
- C. The inherent risk is lower than or equal to the risk tolerance.
- D. The inherent risk is higher than or equal to the risk tolerance.

**Answer: A**

#### NEW QUESTION 32

According to The MA Code of Ethics, which of the following is one of the rules of conduct for objectivity?

- A. Internal auditors shall continually improve their proficiency and effectiveness and quality of their services.
- B. Internal auditors shall respect and contribute to legitimate and ethical objectives of the organization.
- C. Internal auditors shall not accept anything that may impair or be presumed to impair their professional judgment.
- D. Internal auditors shall be prudent in the use and protection of information acquired in the course of their duties.

**Answer: C**

#### NEW QUESTION 36

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. The chief audit executive (CAE) should review all work performed by the auditor during her temporary assignment to ensure no impairments.
- B. The CAE may conduct audits in the purchasing department during the auditor's temporary assignment.
- 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. Any work performed by the auditor during her temporary assignment must conform to the internal audit charter.

**Answer: C**

#### NEW QUESTION 40

Which of the following is true regarding the use of a formal risk management framework?

- \* 1. It facilitates a methodical approach to risk mitigation.
- \* 2. It defines and standardizes the terminology used in risk communication.
- \* 3. It establishes the risk tolerance levels to be accommodated in the strategy.
- \* 4. It facilitates the alignment of risk mitigation strategies with management priorities.

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

**Answer: B**

#### NEW QUESTION 41

According to IIA guidance, which of the following practices by the chief audit executive (CAE) best enhances the organizational independence of the internal audit activity?

- A. CAE reviews and approves the annual audit plan.
- B. CAE meets privately with The CEO at least annually.
- C. CAE meets privately with The board at least annually.
- D. CAE reports to the board regarding audit staff performance evaluation and compensation.

**Answer: D**

#### NEW QUESTION 45

Which of the following scenarios best illustrates a rationalization as the root cause of potential fraud?

- A. Managers who have been with the organization for several decades become aware that newly hired, younger managers are being moved more quickly into senior positions.
- B. The controller at a nationwide manufacturing company recently opted to no longer require two-week mandatory vacations for accounting staff.
- C. Security cameras that monitor cash handling at the register are not functioning.
- D. The organization is slowly phasing out three mature products that produce the highest commissions for the sales staff.

**Answer: B**

#### NEW QUESTION 46

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, 2, and 4
- C. 1, 3, and 4
- D. 2, 3, and 4

**Answer: B**

#### NEW QUESTION 49

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. Establish the size of the internal audit activity.
- D. Communicate the internal audit activity's goals.

**Answer: B**

#### NEW QUESTION 52

Which of the following are components of the ISO 31000 risk management process?

- \* 1. Setting the context.
- \* 2. Risk treatment.
- \* 3. Risk avoidance.
- \* 4. Communication.

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

**Answer: A**

#### NEW QUESTION 55

According to the COSO internal control framework, which of the following best describes the use of continuous auditing programs by the internal audit activity?

- A. Control environment.
- B. Control activities.
- C. Risk assessment.
- D. Monitoring.

**Answer: D**

#### NEW QUESTION 59

Which of the following are generally recognized as essential elements of a corporate social responsibility program?

- A. Human rights and the environment.
- B. Organizational governance and financial reporting.
- C. Fair operating practices and government regulation.
- D. Consumer issues and return on investment.

**Answer: A**

#### NEW QUESTION 64

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. Procurement employee survey.
- C. Cross-functional flow chart.
- D. Segregation of duties matrix.

**Answer: C**

#### NEW QUESTION 67

Which of the following best demonstrates the authority of the internal audit activity?

- A. Suggesting alternatives to decision makers.
- B. Improving the integrity of information.
- C. Determining the scope of internal audit services.
- D. Achieving engagement objectives.

**Answer: C**

#### NEW QUESTION 72

Which of the following would not be considered part of preliminary survey of an engagement area?

- A. Interviews with individuals affected by the entity.
- B. Functional walk through test.
- C. Analytical reviews.
- D. Sampling scope.

**Answer: D**

#### NEW QUESTION 77

While preparing for an audit of senior management expenses, the chief audit executive (CAE) learns that management is unable to locate a number of original expense claims to support the related disbursements. She decides to defer the engagement until they can be located. Which of the following principles likely guided the CAE's decision?

- A. Objectivity.
- B. Proficiency.
- C. Independence.
- D. Due professional care.

**Answer: D**

#### NEW QUESTION 81

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. \$11, 250
- B. \$25, 000
- C. \$33, 750
- D. \$45, 000

**Answer: A**

#### NEW QUESTION 85

The chief audit executive (CAE) is planning to conduct an internal assessment of the internal audit activity (IAA). Part of this assessment will include benchmarking. According to IIA guidance, which of the following qualitative metrics would be appropriate for the CAE to use?

- \* 1. Average client customer satisfaction score for a given year.
- \* 2. Client survey comments on how to improve the IAA.
- \* 3. Auditor interviews once an audit has been completed.
- \* 4. Percentage of audits completed within 90 days.

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

**Answer: C**

#### NEW QUESTION 88

The security department uncovered what appears to be a complex fraud in the accounting department. The CEO has requested the internal audit activity to investigate the fraud. If the internal audit staff lacks the expertise to conduct the investigation, how should the chief audit executive proceed?

- A. Disclose the deficiency, and request that the investigation be reassigned to the first line of defense.
- B. Proceed with the investigation, as internal auditors are not required to have fraud expertise.
- C. Outsource the sensitive investigation to a third-party consultant with fraud expertise.
- D. Select a member of the accounting department who is not involved in the fraud to join the investigation team in a consulting capacity.

**Answer: C**

#### NEW QUESTION 90

A new internal audit activity is creating its first charter. According to IIA guidance, which of the following objectives would be appropriate for inclusion in the charter?

- A. Continuously monitor the organization's overall risk activities in relation to its risk appetite.
- B. Evaluate the adequacy and effectiveness of the organization's governance activities.
- C. Oversee the establishment and administration of an effective risk management program.
- D. Assist management in implementing recommended control improvements.

**Answer: C**

#### NEW QUESTION 92

Which of the following is most likely to function as a directive control?

- A. Security dogs.
- B. Alert employees.
- C. Insurance claims.
- D. Cycle counts.

**Answer: B**

#### NEW QUESTION 97

Which of the following statements is true about The IIA Global Internal Audit Competency Framework?

- A. The core competencies outlined in the framework are not expected of a person undertaking an entry-level position as an internal auditor.
- B. 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.
- C. The framework lists the core competencies internal auditors should possess before attempting to attain The IIA's Certified Internal Auditor certification.
- D. The framework describes competencies needed for individual internal auditors, but not those necessary at the chief audit executive level.

**Answer: B**

#### NEW QUESTION 100

Faced with a complex, highly technical construction audit engagement, the chief audit executive (CAE) considered complementing the current internal audit resources by engaging the services of a civil engineer.

Which of the following should the CAE consider in determining whether the engineer possesses the necessary skills to perform the engagement?

- \* 1. Professional certification, license, or other recognition of the engineer's competence in the relevant discipline.
- \* 2. Experience of the engineer in the type of work being considered.
- \* 3. Compensation or other incentives that the engineer may receive.
- \* 4. The extent of other ongoing services that the engineer may be performing for the organization.

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

**Answer: D**

#### NEW QUESTION 103

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

- A. Quality assessments and cultural biases of the internal audit activity.
- B. Rotational assignments and familiarity of the internal audit activity.
- C. Employee incentives and self review of the internal audit activity.
- D. Organizational positioning and scope control of the internal audit activity.

**Answer: D**

#### NEW QUESTION 106

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