

# IIA.IIA-CIA-Part1-KR.v2025-03-04.q342

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## NEW QUESTION: 1

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**Answer: (SHOW ANSWER)**

The scenario where an internal audit manager fails to disclose a conflict of interest by not revealing that the process owner being audited is a relative is a clear violation of the integrity principle outlined in The IIA's Code of Ethics. Integrity demands that internal auditors disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review or conceal unlawful practices. References: The IIA's Code of Ethics

## NEW QUESTION: 2

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**Answer: B (LEAVE A REPLY)**

The use of due professional care by the internal audit activity is best demonstrated by internal auditors undertaking the necessary training to complete their audit work. Due

professional care involves applying the diligence and judgment needed to conduct audits effectively. This includes continuous training and development to ensure auditors are proficient in their field and up-to-date with relevant audit standards, technologies, and methodologies, which aligns with the International Standards for the Professional Practice of Internal Auditing from the Institute of Internal Auditors (IIA).References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 3**

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**Answer: C (LEAVE A REPLY)**

According to fraud theory, specifically the Fraud Triangle, the root causes of fraud are typically identified as opportunity, rationalization, and perceived need (or pressure). Among the options given, "Opportunity and perceived need" most closely align with two of these three key elements. Opportunity provides the means to commit fraud, while perceived need motivates the individual to justify fraudulent actions.References: Association of Certified Fraud Examiners (ACFE) - Fraud Triangle Theory

**NEW QUESTION: 4**

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**Answer: D (LEAVE A REPLY)**

The most effective risk management strategy for a manufacturer experiencing regular fluctuations in the price of electrical power, which impacts the bottom line, would be to use a forward contract for bulk power purchases. This strategy allows the manufacturer to lock in power prices for a future period, thus reducing the risk associated with price volatility and providing more predictable cost planning.References: Risk management strategies in operations and finance, as discussed in business management and internal auditing literature, which advocate using financial instruments like forward contracts to hedge against price fluctuations.

**NEW QUESTION: 5**

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**Answer: D (LEAVE A REPLY)**

According to IIA standards, both assurance and consulting engagements require a final engagement report.

This report communicates the results and recommendations of the internal audit activity's findings, regardless of the type of engagement. The final engagement report is critical for ensuring transparency and accountability in both assurance and consulting services, providing essential feedback to stakeholders.

References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 6**

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**Answer: A (LEAVE A REPLY)**

Assessing whether an organization's responses to risk are aligned with its risk appetite effectively can be done by analyzing the results of tests on controls and monitoring procedures implemented by management. This approach ensures that the measures taken are sufficient and appropriate in relation to the defined risk appetite, thereby providing assurance that the organization manages risks effectively. References: Institute of Internal Auditors (IIA) Standards and Guidelines.

**NEW QUESTION: 7**

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**Answer: D (LEAVE A REPLY)**

The strategy for professional development that best demonstrates an internal auditor's competency is the creation and adherence to professional development and training plans.

Such plans are tailored to the auditor's needs and goals and include a variety of learning activities and programs designed to maintain and enhance their auditing competencies. This comprehensive approach ensures continuous improvement and relevancy in the profession. References: IIA's guidelines on Continuing Professional Development and standards for maintaining competency.

**NEW QUESTION: 8**

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**Answer: D (LEAVE A REPLY)**

The scenario where employee personal information in the payroll system could be updated without approval presents a significant concern for fraud risk. This lack of control creates an opportunity for unauthorized changes to employee information, potentially leading to fraudulent activity such as ghost employee schemes or unauthorized salary alterations. Such a control weakness directly impacts the integrity of payroll transactions and should be a primary concern for internal auditors. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 9**

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**Answer: (SHOW ANSWER)**

The statement that an employee who diverts the organization's purchases for personal use is demonstrating asset misappropriation is true regarding occupational fraud. Asset misappropriation involves the theft or misuse of an organization's assets and is one of the most common types of occupational fraud. Using organizational resources for personal benefit directly falls under this category. References: Association of Certified Fraud Examiners (ACFE) reports and guidance on types of occupational fraud.

**NEW QUESTION: 10**

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**Answer: (SHOW ANSWER)**

The board of directors is responsible for setting the risk appetite of the organization. They define the level and type of risk the organization is willing to accept in pursuit of its goals and objectives. This strategic role ensures that the organization's risk management framework aligns with its long-term vision and governance structure. References: IIA guidance on governance and risk management

**NEW QUESTION: 11**

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**Answer: (SHOW ANSWER)**

The primary responsibility of the internal audit activity within a risk and control framework is to verify that management has met its responsibility for implementing effective controls. This aligns with the IIA's definition of the internal audit function's role, which is to provide independent and objective assurance that an organization's risk management, governance, and internal control processes are operating effectively. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 12**

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**Answer: C (LEAVE A REPLY)**

The risk committee is best suited to help the board identify and assess the effects of increased regulations on current industry lending practices. The risk committee focuses on overseeing the organization's risk management policies and procedures, ensuring that all risks, including regulatory risks, are identified, assessed, and managed appropriately. This committee is responsible for understanding the implications of regulatory changes and

advising the board on how these changes may impact the organization's operations and strategic objectives. References:

- \* The IIA's Practice Guide on Risk Management.
- \* COSO's Enterprise Risk Management Framework.

**NEW QUESTION: 13**

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**Answer: A (LEAVE A REPLY)**

To assure that the technical proficiency of internal auditors is appropriate for the audit engagements to be performed, a chief audit executive should consider the scope of work and level of responsibility when establishing criteria for education and experience in filling internal audit positions. This approach helps align the skills and competencies of the audit staff with the specific requirements of the audit engagements, ensuring effective performance and adherence to professional standards. References: IIA Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 14**

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**Answer: (SHOW ANSWER)**

According to IIA guidance, an internal audit charter should detail the responsibilities of the audit committee.

The charter is a formal document that defines the purpose, authority, and responsibility of the internal audit activity. Including the audit committee's responsibilities ensures clarity on the committee's role in overseeing the internal audit function, enhancing governance, and providing a framework for accountability and support.

References:

- \* The IIA Standards: Standard 1000 - Purpose, Authority, and Responsibility: "The purpose, authority, and responsibility of the internal audit activity must be formally defined

in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards."

\* IIA Practice Guide: "Internal Audit Charter: Understanding the Components": Highlights the importance of specifying the audit committee's responsibilities in the charter.

**NEW QUESTION: 15**

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**Answer: B (LEAVE A REPLY)**

In responding to a request from senior management for the internal audit activity to review and amend policies when auditing the purchasing department, the chief audit executive would most likely give primary consideration to maintaining internal audit independence. This request potentially places the internal audit activity into a management role, which could impair its independence and the ability to perform unbiased audits in the future. According to IIA standards, internal auditors should avoid taking on operational responsibilities to preserve their independence. References: IIA Standards on independence and objectivity.

**NEW QUESTION: 16**

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**Answer: B (LEAVE A REPLY)**

In a competitive retail environment where sales teams are incentivized to meet or exceed targets, there is a significant risk of data manipulation. Employees may falsify sales records, inflate numbers, or engage in other unethical behaviors to ensure they receive bonuses. This is a common issue in environments with high stakes and rewards tied to performance metrics, as the pressure to succeed can lead individuals to manipulate data to appear more successful than they actually are. Therefore, management should closely monitor data integrity and implement strong controls to detect and prevent such manipulation. References: The IIA's International Standards for the Professional Practice



**Answer: B (LEAVE A REPLY)**

Senior management has the primary responsibility for resolving any fraud incidents found as a result of the investigation in the treasury department. While the internal audit activity may identify and report on fraud, and forensic accountants may assist in investigating it, the responsibility for addressing and resolving incidents of fraud, including implementing corrective actions and holding parties accountable, rests with senior management. References: The IIA's guidance on the roles and responsibilities in fraud investigations, which places ultimate responsibility for management of fraud risks with senior management.

**NEW QUESTION: 19**

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**Answer: C (LEAVE A REPLY)**

Establishing effective governing body oversight enhances the independence of the internal audit activity by providing a high-level check on the audit function, ensuring that it operates without undue influence from management. This helps maintain the autonomy necessary for the internal audit to effectively challenge and assess management practices and controls. References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing; governance frameworks.

**NEW QUESTION: 20**

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**Answer: B (LEAVE A REPLY)**

Memberships in professional organizations play a crucial role in the professional development of internal auditors. These organizations often provide access to a wealth of resources including training, certification opportunities, latest industry news, networking events, and seminars that align with current industry trends.

These resources are tailored specifically to help auditors meet the evolving demands and expectations of their primary stakeholders. References: Institute of Internal Auditors (IIA) - Guidelines on Continuing Professional Education and Development

**NEW QUESTION: 21**

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**Answer: D (LEAVE A REPLY)**

Reviewing training records for all internal auditors is a way to demonstrate an individual internal auditor's competency through continuing professional development. This method ensures that each auditor's training aligns with required competencies and standards, providing a clear record of professional development activities. References: IIA standards on assessing professional competencies and continuing education.

**NEW QUESTION: 22**

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**Answer: A (LEAVE A REPLY)**

A business continuity plan (BCP) is a preventive control that aims to ensure the continuity of critical business functions and processes in the event of a disruption or disaster<sup>2</sup>. A BCP identifies the potential risks and impacts that could affect the organization, and outlines the strategies and actions to mitigate them and resume normal operations as soon as possible<sup>3</sup>.

A BCP can help organizations to reduce the financial losses and reputational damages caused by business interruptions, and enhance their resilience and preparedness<sup>4</sup>.

References:

- 1: Business continuity: Managing disaster and disruption<sup>2</sup>
- 2: Preventive controls<sup>5</sup>
- 3: 25 Key Financial Controls for Small Businesses<sup>3</sup>
- 4: 5 Steps To Protect Your Business From Supply Chain Disruptions<sup>4</sup>

**NEW QUESTION: 23**

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**Answer: B (LEAVE A REPLY)**

By performing an audit engagement, the internal audit activity can systematically review and assess the current risk management practices in the electricity sales processes. This will provide senior management with a detailed understanding of the existing controls, processes, and any gaps or areas for improvement. An audit engagement offers a structured approach to identifying and evaluating risks and controls, which is essential for developing effective risk management strategies. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2200 - Engagement Planning, and Standard 2210 - Engagement Objectives.

**NEW QUESTION: 24**

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**Answer: A (LEAVE A REPLY)**

Providing access to online internal audit and business skills courses is the best support for internal auditors to meet their continuing professional development requirements. This resource offers auditors the opportunity to continuously enhance their knowledge and skills in a flexible and accessible manner, which is crucial for maintaining the proficiency and effectiveness required by the IIA standards. References: IIA's Continuing Professional Education (CPE) requirements

**NEW QUESTION: 25**

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**Answer: B (LEAVE A REPLY)**

For an internal auditor who facilitates control self-assessment workshops, collaboration skills are most important. These skills enable the auditor to effectively engage with participants, foster open communication, and facilitate group interactions that lead to more comprehensive and accurate assessments. Collaboration is essential for guiding discussions, resolving conflicts, and ensuring that the workshop objectives are met effectively. References: Best practices in facilitating workshops and internal auditor competency requirements as outlined in professional development resources and the IIA's standards.

**NEW QUESTION: 26**

Which of the following is the best control to detect cash register disbursement fraud in a large retail store?

- A. Using cash registers with internal tapes that are tamper-proof and require a manager to process voids or refunds.
- B. Using cash registers with internal tapes that are tamper-proof and require a manager to process voids or refunds.
- C. Using cash registers with internal tapes that are tamper-proof and require a manager to process voids or refunds.
- D. Using cash registers with internal tapes that are tamper-proof and require a manager to process voids or refunds.

**Answer: D (LEAVE A REPLY)**

The best control to detect cash register disbursement fraud in a large retail store is using cash registers with internal tapes that are tamper-proof and require a manager to process voids or refunds. This control directly addresses the risk of cash misappropriation at the point of sale by adding a layer of oversight and security to the transactions, particularly those that are prone to manipulation like voids and refunds. References: Best practices in retail fraud prevention, which often include the use of technology and managerial oversight to control and monitor cash transactions.

**NEW QUESTION: 27**

Which of the following is the best control to detect questionable bidding practices in a city's contracting files?

- A. Reviewing the city's contracting files for patterns of favoritism or irregularities in the awarding of contracts.
- B. Reviewing the city's contracting files for patterns of favoritism or irregularities in the awarding of contracts.
- C. Reviewing the city's contracting files for patterns of favoritism or irregularities in the awarding of contracts.
- D. Reviewing the city's contracting files for patterns of favoritism or irregularities in the awarding of contracts.

**Answer: C (LEAVE A REPLY)**

To identify questionable bidding practices, the internal audit activity should review the city's contracting files.

This review will help determine if the city made efforts to solicit bids from a diverse range of interested firms, ensuring a fair and competitive bidding process. By examining these files, the auditors can identify any patterns of favoritism or irregularities in the awarding of contracts, which are key indicators of questionable bidding practices. This approach is consistent with best practices in auditing procurement processes.

References:

\* The IIA Standards: Standard 2210 - Engagement Objectives: "Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives."

\* IIA Practice Guide: "Auditing the Procurement Function": Emphasizes the importance of reviewing solicitation efforts and contract awards to detect potential irregularities.

**NEW QUESTION: 28**

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**Answer: C (LEAVE A REPLY)**

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. According to IIA standards, the internal audit charter must define the reporting relationships within the organization, which facilitates the independence and objectivity of the internal audit function. The inclusion of reporting relationships ensures that there is clear communication and understanding regarding the internal audit activity's position within the organization. References:

\* IIA Standard 1000: "Purpose, Authority, and Responsibility"

**NEW QUESTION: 29**

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**Answer: D (LEAVE A REPLY)**

Competency assessment tools are designed to evaluate the internal audit team's skills and identify areas needing improvement. IIA standards recommend regular assessments to ensure the audit team is sufficiently skilled to perform effective audits.

**NEW QUESTION: 30**

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**Answer: D (LEAVE A REPLY)**

The chief audit executive (CAE) would be required to decline a consulting engagement if there is no available expertise on the internal audit team to perform it. According to IIA standards, internal auditors must possess the knowledge, skills, and other competencies needed to perform their responsibilities. Accepting an assignment without the requisite expertise could impair the effectiveness and credibility of the audit function.

References: IIA Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 31**

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**Answer: (SHOW ANSWER)**

Requesting advances against a monthly salary frequently, as in option C, could indicate financial stress or potentially dubious financial management behaviors. This situation could heighten an auditor's professional skepticism regarding potential fraud due to possible motives or incentives to commit fraud. References:

Internal Auditing Standards and professional guidelines on fraud risk awareness and assessment.

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<https://www.dumptop.com/IIA/IIA-CIA-Part1-KR-dump.html> (756 Q&As Dumps, **30%OFF Special Discount: KrDump**)

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**Answer: A (LEAVE A REPLY)**

The internal audit charter provides a formal definition of the internal audit activity's purpose, authority, and responsibility. It is foundational for helping new auditors understand their role and how internal audit functions within the organization.

**NEW QUESTION: 33**

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**Answer: (SHOW ANSWER)**

The best course of action is for the internal auditor to consult with the chief audit executive (CAE) regarding the suspicious documents. This step aligns with IIA standards, which advise consulting senior audit leaders in cases of potential fraud to ensure proper investigation and avoid alerting those who might be involved.

**NEW QUESTION: 34**

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**Answer: A (LEAVE A REPLY)**

The best demonstration of conformance with the Standards regarding the internal audit activity's purpose, authority, and responsibility is the discussion and formal presentation of the internal audit charter to the board of directors. This ensures that the board is fully aware of and agrees with the internal audit's defined role within the organization, thereby establishing a clear basis for its operations and scope of work. References: The IIA's International Standards for the Professional Practice of Internal Auditing on Charter requirements.

**NEW QUESTION: 35**

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**Answer: B (LEAVE A REPLY)**

The internal audit charter outlines the internal audit function's objectives, independence, and scope. IIA guidance specifies the charter as the foundational document defining the internal audit activity's objectivity and position within the organization.

**NEW QUESTION: 36**

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**Answer: C (LEAVE A REPLY)**

According to the IIA's standards on proficiency, the Chief Audit Executive (CAE) should consider primarily how well the skills and experience of a new auditor complement those of the existing audit team. This ensures a diverse and comprehensive skill set within the audit team, aligning with the Standard 1210.A2, which stipulates that the internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. References: Institute of Internal Auditors (IIA) Standards, specifically Standard 1210 on Proficiency.

**NEW QUESTION: 37**

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**Answer: A (LEAVE A REPLY)**

Operating management in an organization is responsible for implementing CSR principles and overseeing CSR performance (Option A). This involves ensuring that the CSR initiatives align with the organization's goals and values, and that these initiatives are executed effectively. Management's role includes setting objectives, developing strategies, and monitoring the progress of CSR activities. This responsibility is outlined in various frameworks and guidelines for corporate social responsibility, emphasizing the need for management to take an active role in CSR implementation and oversight. References:

- \* IIA Practice Guide: Internal Audit's Role in Corporate Social Responsibility
- \* ISO 26000: Guidance on Social Responsibility

**NEW QUESTION: 38**

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**Answer: B (LEAVE A REPLY)**

When deciding whether to rely on the work of internal auditors, external auditors often assess the objectivity of the internal audit activity. Objectivity assures that audits are performed impartially and without bias, which enhances the credibility of the audit work. This assessment is crucial for determining the reliability of the internal audit function's work for external audit purposes. References: IIA Standard 1220: Objectivity, and external auditing standards regarding the use of internal auditors' work.

**NEW QUESTION: 39**

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**Answer: C (LEAVE A REPLY)**

Best practices for minimizing resentment towards controls include involving employees in the design process of controls, transparently communicating their purpose, and how these controls benefit the organization and potentially the employees themselves. Such practices help in building a culture of compliance and acceptance, rather than resistance. Active participation and clear communication are key factors in achieving employee buy-in and minimizing resentment.

References: General best practices in change management and internal control implementation as advised by various management and audit frameworks, including those suggested by the IIA and related governance bodies.

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**NEW QUESTION: 40**

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**Answer: D (LEAVE A REPLY)**

According to IIA guidance, the standard risk treatments outlined in the process element approach of the framework for risk management include the following steps:

- \* Risk Identification: Identifying potential risks that could affect the achievement of objectives.
- \* Risk Assessment: Evaluating the identified risks in terms of their likelihood and impact.

\* Application of Controls: Implementing measures to mitigate or manage the identified risks.

\* Risk Acceptance: Deciding to accept the risk when it falls within the organization's risk appetite or tolerance levels.

These steps are part of a structured approach to managing risks, ensuring that risks are systematically identified, assessed, and managed through appropriate controls and that acceptance of residual risks is aligned with the organization's strategic objectives and risk appetite.

References:

\* IIA Practice Guide: Assessing the Adequacy of Risk Management Using ISO 31000

\* COSO Enterprise Risk Management Framework

### NEW QUESTION: 41

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**Answer: B (LEAVE A REPLY)**

If the operations management lacks the competency to execute internal control measures, the most appropriate action by the internal audit activity to assist in achieving continuous improvement is to provide training on controls and on self-monitoring processes. This helps build management's capacity to understand and implement effective controls and fosters a culture of continuous improvement within the organization.

References: IIA guidance on the role of internal audit in developing management's control competencies, highlighting training and educational support as key methods for enhancing internal control practices.

### NEW QUESTION: 42

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**Answer: B (LEAVE A REPLY)**

The Global Reporting Initiative (GRI) is the most effective resource for an organization looking to improve how it informs stakeholders of its social responsibility performance. The GRI provides a comprehensive set of standards for sustainability reporting, which includes

guidelines on how to communicate social responsibility efforts transparently and effectively to stakeholders. References: Global Reporting Initiative (GRI) standards; literature on sustainability reporting.

**NEW QUESTION: 43**

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**Answer: D (LEAVE A REPLY)**

The most appropriate course of action when an internal auditor identifies an error that could affect the overall results of the engagement is to inform the engagement supervisor of the error and allow the supervisor to determine the appropriate action to take. This approach ensures that the error is addressed according to the internal audit's standard procedures and maintains the integrity and accuracy of the audit report. References: IIA Standards on supervision and due professional care, which require that issues identified during audit engagements be escalated appropriately to ensure accurate and reliable audit results.

**NEW QUESTION: 44**

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**Answer: (SHOW ANSWER)**

Internal auditors can indeed provide assurance on reported sustainability results. This involves evaluating the accuracy and completeness of an organization's sustainability reporting and verifying that the reported information reflects actual performance. This role aligns with the broader assurance and advisory functions of internal audit, ensuring that CSR disclosures are reliable and credible.

References:

- \* The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
- \* Global Reporting Initiative (GRI) Standards.

\* "Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on CSR and Sustainability Reporting.

**NEW QUESTION: 45**

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**Answer: C (LEAVE A REPLY)**

By notifying the chief audit executive of her candidacy for a position within the accounts payable department, the auditor upheld the principle of Objectivity. This principle requires auditors to disclose any potential conflicts of interest that could influence their independence and objectivity during the audit process.

References: The Institute of Internal Auditors (IIA) - Code of Ethics.

**NEW QUESTION: 46**

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**Answer: C (LEAVE A REPLY)**

The most likely reason the chief audit executive (CAE) decided to conduct a self-assessment with independent validation is that the internal audit activity is relatively small in size and is due for an external assessment. Self-assessment with independent validation (SAIV) is an alternative approach recognized by the IIA for smaller audit functions, where a full external assessment might be impractical or overly burdensome. This method maintains the quality assurance requirements within the constraints of the organization's size and resources.

References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Standard 1312 - External Assessments

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<https://www.dumptop.com/IIA/IIA-CIA-Part1-KR-dump.html> (756 Q&As Dumps,  
30%OFF Special Discount: **KrDump**)

**NEW QUESTION: 47**

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**Answer: B (LEAVE A REPLY)**

In assurance engagements, it is standard practice for internal auditors to prepare and issue a written report upon completion. This report includes the results of the engagement and is issued to the client or the party that requested the engagement. This practice ensures transparency, accountability, and provides the client with necessary information to make informed decisions. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 48**

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**Answer: (SHOW ANSWER)**

According to the COSO framework, the 'Control Environment' is identified as the most important component of internal control. It sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. References: COSO's "Internal Control-Integrated Framework" outlines the importance and priority of each component of internal control, emphasizing the control environment as foundational.

**NEW QUESTION: 49**

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**Answer: C (LEAVE A REPLY)**

The most effective type of fraud test for looking for possible fictitious vendors would be running checks to uncover post office box addresses that match employee addresses. This test directly targets a common tactic used in vendor fraud schemes, where employees might set up fictitious vendor accounts and direct payments to themselves via P.O. boxes. References: IIA resources on auditing for fraud, which often discuss various methods for detecting fictitious vendors, including address comparisons.

**NEW QUESTION: 50**

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**Answer: C (LEAVE A REPLY)**

The organization aspect of an internal audit charter relates to the reporting structure for the internal audit activity. It establishes the position of the internal audit activity within the organization, and defines its functional and administrative reporting lines<sup>2</sup>. The organization aspect also ensures that the internal audit activity has sufficient independence and authority to perform its work effectively and objectively<sup>3</sup>.

References:

1: Internal Audit Charter [A Complete Guide + Template] - Model Organization  
2: The Internal Audit Charter IIA POSITION PAPER

The Internal Audit Charter Blueprint to Assurance Success Introduction One of the great challenges every organization faces is assuring efficient and effective risk management # those policies and processes designed to leverage or mitigate risks to the organization's advantage.

When done well, internal audit provides that assurance as part of its role to protect and enhance organizational value. For internal audit to operate at the highest levels, it must have clearly defined and articulated marching orders from the governing body and management.

This is most easily achieved with a well-designed internal audit charter. The IIA's Perspective Every organization can benefit from internal audit, and an internal audit charter is vital to success of the activity (IIA Standard 1000).

The charter is a formal document approved by the governing body and/or audit committee (governing body) and agreed to by management. It must define, at minimum: Internal audit's purpose within the organization. Internal audit's authority.

Internal audit's responsibility. Internal audit's position within the organization. The IIA has produced model charters available to IIA members here in eight languages.

Why the Internal Audit Charter Is Important The charter provides the organization a blueprint for how internal audit will operate and helps the governing body to clearly signal the value it places on internal audit's independence.

Ideally it establishes reporting lines for the chief audit executive (CAE) that support that independence by reporting functionally to the governing body (or those charged with governance) and administratively to executive management.

It also provides the activity the needed authority to achieve its tasks, e.g., unfettered access to records, personnel, and physical properties relevant to performing its work. KEY

#### TAKEAWAYS

The internal audit charter is vital to internal audit's success and should be reviewed annually by the governing body.

The internal audit charter should be approved by the governing body and agreed to by senior management.

The charter should at a minimum include internal audit's purpose and mission, authority, responsibility, its independent reporting relationships, scope and requirement to conform to IIA Standards.

The internal audit charter should include details of how the internal audit activity will assess and report on the quality of the internal audit activity.<sup>1</sup> 3: Charter | Internal Audit4

#### NEW QUESTION: 51

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**Answer: B (LEAVE A REPLY)**

When a payroll clerk informs the auditor of potential issues like adding new employees to the payroll without proper documentation, it is essential to escalate this concern appropriately. The internal auditor should inform the chief audit executive (CAE) of the assertion, as it raises a significant red flag regarding potential fraud or control weaknesses. This step ensures that the CAE is aware of the situation and can decide on the necessary follow-up actions, such as further investigation or adjusting the audit scope to address the risk.

References:

- \* IIA Standard 1220: Due Professional Care
- \* IIA Standard 2120: Risk Management

**NEW QUESTION: 52**

Which of the following is the most important factor for internal auditors to consider when prioritizing fraud risks?

- A. The organization's culture.
- B. The organization's size.
- C. The organization's industry.
- D. The organization's location.

**Answer: D (LEAVE A REPLY)**

When prioritizing fraud risks, the most important factor for internal auditors to consider is the organization's culture. A culture that does not robustly promote ethical behavior or where management overrides controls can significantly increase the likelihood and impact of fraud. This aligns with risk management principles that consider organizational culture as a key element in the effectiveness of controls to prevent, detect, and respond to fraud. References: The Institute of Internal Auditors (IIA) guidance on assessing and managing fraud risks and organizational culture.

**NEW QUESTION: 53**

Which of the following is the correct statement regarding assurance and consulting services provided by the internal audit activity?

- A. Assurance services can be focused on controls or performance or both, but consulting services can only be focused on performance.
- B. Assurance services can be focused on controls or performance or both, and consulting services can be focused on controls or performance or both.
- C. Assurance services can be focused on controls or performance or both, but consulting services can only be focused on controls.
- D. Assurance services can be focused on controls or performance or both, but consulting services can only be focused on consulting.

**Answer: C (LEAVE A REPLY)**

The correct statement regarding assurance and consulting services provided by the internal audit activity is that both assurance services and consulting services can be focused on controls or performance or both. This reflects the flexibility and adaptability of internal audit functions to address varying organizational needs, whether in assessing the adequacy and effectiveness of controls, improving operational performance, or both. References: The IIA's International Standards for the Professional Practice of Internal Auditing on the nature of assurance and consulting services.

**NEW QUESTION: 54**

Which of the following is the correct statement regarding the IIA's International Standards for the Professional Practice of Internal Auditing?

- A. The IIA's International Standards for the Professional Practice of Internal Auditing are based on the IIA's Code of Ethics.
- B. The IIA's International Standards for the Professional Practice of Internal Auditing are based on the IIA's Quality Assurance and Improvement Program.
- C. The IIA's International Standards for the Professional Practice of Internal Auditing are based on the IIA's Risk Management Framework.
- D. The IIA's International Standards for the Professional Practice of Internal Auditing are based on the IIA's Internal Control Framework.

**Answer: A (LEAVE A REPLY)**

Best demonstrating conformance with IIA standards related to continuing professional development involves retaining evidence of training in the form of continuing education credits. This approach directly aligns with The IIA's requirements for auditors to maintain their professional competencies through ongoing professional development, for which continuing education credits are a measurable and verifiable method. References: IIA's guidelines on Continuing Professional Development.

**NEW QUESTION: 55**

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**Answer: (SHOW ANSWER)**

The most appropriate first step for the board to take when developing an effective system of governance is to identify key stakeholders and their expectations. Understanding stakeholders' expectations is fundamental to defining the governance framework that aligns with these needs and establishing the organization's strategic objectives and policies. References: IIA guidance on effective governance frameworks.

**NEW QUESTION: 56**

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**Answer: B (LEAVE A REPLY)**

The first step in addressing a notification from a whistleblower about a conflict of interest should be to gain an understanding of the employee's role, responsibilities, and relationship with the supplier. This step is critical before conducting interviews or notifying others, as it helps establish the context for the investigation, ensuring that further steps are informed and targeted effectively. References: IIA guidance on handling whistleblower claims and conducting internal investigations.

**NEW QUESTION: 57**

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The primary responsibility for the internal audit activity in helping management maintain effective controls is promoting continuous monitoring. Continuous monitoring involves regularly reviewing control processes and performance to ensure they are effective and making adjustments as necessary. This proactive approach enables the internal audit activity to assist management in maintaining a robust control environment that can adapt to changes in the organization or its external environment. References: The IIA's International Standards for the Professional Practice of Internal Auditing regarding monitoring and control.

**NEW QUESTION: 60**

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**Answer: A (LEAVE A REPLY)**

A responsibility of the internal audit activity as it relates to risk and risk management is evaluating and suggesting improvements to the risk management process. This role includes assessing the adequacy and effectiveness of the process in identifying, analyzing, and managing risks, as well as recommending improvements based on audit findings. References: IIA Standards for the Professional Practice of Internal Auditing related to risk management.

**NEW QUESTION: 61**

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**Answer: A (LEAVE A REPLY)**

If an internal auditor suspects fraud during an engagement, the expected action is to evaluate the suspected activities to determine whether a formal investigation is warranted. This step is crucial as it ensures that suspicions are substantiated before escalating the issue, thereby maintaining the integrity and objectivity of the internal audit process. This approach aligns with the IIA's guidance on handling fraud, including assessing and responding to risks of fraud during audit engagements. References: The Institute of Internal Auditors (IIA)



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**Answer: (SHOW ANSWER)**

The first step for a newly hired chief audit executive (CAE) to build and maintain the proficiency of the internal audit activity should be to incorporate the basic criteria of internal audit competency into job descriptions. This foundational step ensures that all current and future hires are aligned with the required skills and competencies needed for effective internal audit functions. It sets a clear expectation of skills and knowledge right from the recruitment stage, thereby facilitating the development and maintenance of a competent audit team. References: The Institute of Internal Auditors (IIA) - Practice Guides on Talent Management

**NEW QUESTION: 65**

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**Answer: (SHOW ANSWER)**

To promote organizational independence for the internal audit activity, the audit committee should approve the annual budget and resource plan for the internal audit activity. This action ensures that the internal audit has sufficient resources to independently carry out its mandate without undue influence from management.

References: IIA guidance and standards concerning the role of the audit committee in supporting the independence and resources of the internal audit function.

**NEW QUESTION: 66**

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**Answer: B (LEAVE A REPLY)**

The best step for the chief audit executive (CAE) to take when determining that the internal audit activity lacks adequate independence is to request that the board restructure the reporting line to ensure the CAE has unrestricted access to the board. This action will help to enhance the independence and objectivity of the internal audit activity by ensuring that the CAE reports functionally to the board, which is a key aspect of maintaining organizational independence.

References:

\* The IIA Standards: Standard 1110 - Organizational Independence: "The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity."

\* IIA Practice Guide: "Independence and Objectivity": Discusses the importance of reporting lines and organizational structure in maintaining the independence of the internal audit activity.

### NEW QUESTION: 67

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**Answer: (SHOW ANSWER)**

Effective third-party risk management involves conducting thorough due diligence before entering into a contract to ensure that the third party meets the organization's standards and requirements. Conducting due diligence only after contract signing is a significant red flag, as it indicates that the organization might be engaging with third parties without fully understanding the associated risks. This can lead to inadequate risk management and potential issues with compliance, performance, and security. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard

2210 - Engagement Objectives, and COSO's Enterprise Risk Management - Integrating with Strategy and Performance.

### NEW QUESTION: 68

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specialized skills or resources, thereby reducing the associated risks that the organization may face if it had to manage those activities internally.

References: IIA guidance on risk management techniques

**NEW QUESTION: 71**

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**Answer: B (LEAVE A REPLY)**

A newly hired internal auditor from a different industry would most likely need further education in the area of business acumen. This need arises because business acumen includes understanding the specific business context, industry practices, competitive environment, and operational processes that are unique to the industry in which the organization operates. Transitioning between industries often requires adjustments and additional learning to understand these new dynamics effectively. References: Institute of Internal Auditors (IIA) - Learning and Development Standards

**NEW QUESTION: 72**

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**Answer: C (LEAVE A REPLY)**

Corporate Social Responsibility (CSR) reporting is largely voluntary, unlike financial reporting which is typically required by law. Organizations choose to engage in CSR activities and reporting to demonstrate their commitment to ethical behavior and sustainable business practices. This aspect of CSR highlights the discretionary nature of these initiatives and their reporting, aligning with the current understanding in corporate governance and sustainability circles. References: Global Reporting Initiative (GRI) Standards

**NEW QUESTION: 73**

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**Answer: C (LEAVE A REPLY)**

Given that the CFO dismissed the concern due to a lack of understanding of the data analytics test and the perceived insignificance of the transaction, the internal auditor should improve soft skills, specifically communication and negotiation. Enhancing these skills would help the auditor better explain the significance of findings and persuade management of the need to address such issues, regardless of transaction value.

References: Institute of Internal Auditors (IIA) - Competency Framework for Internal Auditors

**NEW QUESTION: 74**

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**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 75**

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**Answer: D (LEAVE A REPLY)**

When the internal audit activity is found to be in nonconformance with the Code of Ethics or the Standards, the chief audit executive should communicate this matter to the board at the time of the next external assessment. This ensures that the board is aware of the

nonconformance and can take appropriate actions to address the issue, maintaining the integrity and accountability of the internal audit function. References: IIA standards on governance, which require the chief audit executive to report significant issues related to nonconformance with professional standards and the Code of Ethics to the board and senior management.

**NEW QUESTION: 76**

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**Answer: A (LEAVE A REPLY)**

Having a bidding committee open the tender bids is the best control to mitigate the risk of fraud in the bidding process. This approach ensures transparency and reduces the risk of manipulative practices by involving multiple stakeholders in the bid opening, thereby preventing any single individual from influencing the outcome unduly. References: Best practices in procurement and internal controls related to tender processes.

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<https://www.dumptop.com/IIA/IIA-CIA-Part1-KR-dump.html> (756 Q&As Dumps, **30%OFF Special Discount: KrDump**)

**NEW QUESTION: 77**

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**Answer: A (LEAVE A REPLY)**

The scenario describes a substantial increase in cancelled proposals, which could indicate fraudulent activity.

One potential fraud risk scenario is that some electricians might be offering clients reduced fees if they pay with cash, leading to off-the-record transactions. This can result in the cancellation of official proposals and lost revenue for the company, as these transactions might not be recorded in the company's financial systems.

This type of fraud involves bypassing the formal processes and price lists, which impacts the integrity of the procurement and sales processes.

References:

- \* IIA Practice Guide: Fraud and Internal Audit
- \* COSO Fraud Risk Management Guide

**NEW QUESTION: 80**

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**Answer: (SHOW ANSWER)**

The primary role of the internal audit activity in relation to an organization's internal controls is to provide an independent evaluation of risk management processes and internal control systems. This involves analyzing and advising on the costs versus benefits of control activities, ensuring that the controls are not only effective but also efficient in mitigating risks. References: IIA Performance Standard 2130 - Control

**NEW QUESTION: 81**

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**Answer: B (LEAVE A REPLY)**

When an internal auditor has audited the same department repeatedly, familiarity threat is a significant concern. The IIA Standards emphasize maintaining objectivity and avoiding circumstances that could impair the auditor's unbiased attitude. Auditing the same department annually for several years can lead to familiarity, which can compromise the internal audit activity's independence and objectivity (Option B).

According to Standard 1130: Impairment to Independence or Objectivity, auditors must avoid auditing areas where repeated engagements might lead to a lack of objectivity due to familiarity. References:

\* IIA Standards, Standard 1130: Impairment to Independence or Objectivity

\* IIA Practice Guide: Independence and Objectivity

**NEW QUESTION: 82**

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**Answer: (SHOW ANSWER)**

For consulting engagements, the criteria used to evaluate governance, risk management, and controls are determined jointly by internal auditors and the management. This is distinct from assurance engagements, where criteria are set independently by the auditor to assess whether an organization's components are functioning as intended and to evaluate compliance with policies and procedures. This distinction emphasizes the collaborative nature of consulting engagements in contrast to the independent nature of assurance engagements. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 83**

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**Answer: (SHOW ANSWER)**

A formal risk management framework facilitates a methodical approach to risk mitigation (1), defines and standardizes the terminology used in risk communication (2), and facilitates the alignment of risk mitigation strategies with management priorities (4). These aspects help ensure that risk management efforts are consistent, well-understood, and integrated into the overall strategic direction of the organization. References:

IIA guidance on implementing risk management frameworks

**NEW QUESTION: 84**

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**Answer: C (LEAVE A REPLY)**

Ethics are indeed not defined by laws alone; they are based on standards of conduct derived from shared principles and values. This statement most accurately reflects the nature of ethics in the context of corporate social responsibility (CSR), emphasizing that while ethics are guided by laws, they fundamentally originate from broader societal values and the ethical norms of the community. References: Basic ethical principles in CSR and business ethics literature

**NEW QUESTION: 85**

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**Answer: B (LEAVE A REPLY)**

According to the IIA's International Standards for the Professional Practice of Internal Auditing (Standards)

2420.A1, it is stated that the internal auditor must disclose all material information obtained by the date of the final engagement communication, which could impact the engagement conclusion or decision-making process. This ensures that all relevant facts are communicated to stakeholders appropriately. References:

International Standards for the Professional Practice of Internal Auditing (Standards)  
2420.A1

**NEW QUESTION: 86**

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**Answer: B (LEAVE A REPLY)**

The IIA recognizes that internal auditors can provide valuable consulting services that support the organization's risk management without compromising their independence. Facilitating risk assessment workshops (option B) is a consulting service that internal auditors can perform, which helps the organization identify and evaluate risks in a structured way. This activity does not involve making management decisions or assuming management responsibilities, preserving the internal audit's advisory role. References:

\* IIA Standard 1000: "Consulting Services"

**NEW QUESTION: 87**

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**Answer: (SHOW ANSWER)**

When an internal auditor wants to compare her organization's governance processes to those of a well-known governance model, performing a gap analysis is the most effective approach. A gap analysis involves comparing the current state (the organization's existing governance processes) with the desired state (the well-known governance model). This analysis identifies the gaps or differences between the two, which can then be addressed to improve the organization's governance practices. It helps in pinpointing specific areas where the organization's practices fall short and need enhancement.

References:

\* The IIA Standards: Standard 2130 - Governance: "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes."

\* IIA Practice Guide: "Assessing Organizational Governance in the Public Sector": Discusses the use of gap analysis to evaluate governance frameworks.

**NEW QUESTION: 88**

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**Answer: B (LEAVE A REPLY)**

When an organization purchases a derivative contract in the stock market to limit the potential loss in the value of a security, it is transferring the risk to another party. In this case, the derivative contract (such as options or futures) serves as a hedge against potential losses, meaning the risk of loss is transferred to the counterparty of the derivative contract. References:

\* Institute of Internal Auditors (IIA) standards and guidelines on risk management and control.

**NEW QUESTION: 89**

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**Answer: B (LEAVE A REPLY)**

The principle of objectivity in The IIA's Code of Ethics implies that internal auditors should refrain from performing assurance services when there is an impairment to audit independence that has not been declared.

Objectivity requires auditors to be unbiased and free from conflicts of interest, ensuring that their judgments are not compromised. If there is any impairment to independence, it must be declared to maintain the objectivity and credibility of the audit function.

References:

- \* The Institute of Internal Auditors (IIA) Code of Ethics.
- \* IIA's International Professional Practices Framework (IPPF).
- \* "Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on Ethics and Objectivity.

**NEW QUESTION: 90**

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**Answer: D (LEAVE A REPLY)**

If a CAE has no direct access to the board, the most appropriate action, according to IIA guidance, is to maintain communication with the board through written communications. This method ensures that the board is informed of relevant audit findings and issues, upholding the governance role of the internal audit function even without direct access. This approach aligns with IIA standards on communicating and reporting to senior management and the board. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, specifically standards related to communication and reporting.

**NEW QUESTION: 91**

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**Answer: B (LEAVE A REPLY)**

The IIA's mission for internal audit emphasizes the role of internal audit in enhancing and protecting organizational value by providing risk-based and objective assurance, advice, and insight. Assessing the effectiveness of internal controls over organizational assets directly aligns with this mission as it focuses on providing assurance on the control environment and operational effectiveness, which are crucial for protecting assets and ensuring reliable financial reporting and compliance. References: The Institute of Internal Auditors (IIA) - Mission of Internal Audit

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**Answer: A (LEAVE A REPLY)**

Periodic reinforcement of the internal audit activity's code of ethics disclosure practices would encourage the internal auditor to maintain objectivity, even when personal compensation might be affected. The IIA's Code of Ethics emphasizes integrity and objectivity, and regular reinforcement helps auditors adhere to these principles, ensuring that they act impartially and do not allow conflict of interest or undue influence to impair their judgment. References: The Institute of Internal Auditors (IIA) - Code of Ethics.

**NEW QUESTION: 93**

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**Answer: (SHOW ANSWER)**

According to The IIA's Competency Framework, the mandatory minimum competency for internal auditors is to evaluate the potential for fraud. This involves recognizing where fraud risks may exist and assessing the effectiveness of controls in mitigating those risks.

- \* Option A: Recognizing red flags is important but is part of evaluating fraud risk.
- \* Option B: Recommending controls is a further step, not the minimum requirement.
- \* Option C: Applying forensic techniques is specialized and beyond the basic competency required.

References:

- \* IIA Competency Framework.
- \* IIA Standard 1210.A2: Proficiency in fraud risk assessment.

**NEW QUESTION: 94**

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**Answer: (SHOW ANSWER)**

To achieve conformance with the Standards, a newly hired entry-level internal auditor must possess an understanding of fraud and fraud risk. This knowledge is essential as it enables the auditor to recognize potential indicators of fraud during their audit activities, thereby contributing to the organization's broader fraud risk management efforts. References: IIA standards which emphasize the importance of auditors understanding fraud risks as part of their professional competence requirements.

**NEW QUESTION: 95**

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**Answer: (SHOW ANSWER)**

If the internal audit activity lacks the necessary skills and competencies to complete an ad-hoc assurance engagement, the most appropriate and professional action is to politely decline the engagement due to a lack of qualified staff. This decision upholds the IIA's standards on professional proficiency and due professional care. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 96**

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**Answer: (SHOW ANSWER)**

Among the survey questions provided, the most effective for identifying ethics violations is: Does your supervisor comply with laws and regulations affecting the organization? This question directly addresses compliance and ethical behavior of supervisors, which is crucial for setting an ethical tone at the top and ensuring organizational integrity.

- \* Option A: Relates to performance targets and is not directly about ethics.
- \* Option B: Focuses on skills and training, which are important but not specific to ethics.
- \* Option D: Concerns resources and time, not directly addressing ethical violations.



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**Answer: C (LEAVE A REPLY)**

An assurance engagement provides an independent assessment of governance, risk management, and control processes. In this case, including the effectiveness of oil price risk management in the annual audit plan as an assurance engagement would allow the internal audit activity to evaluate the controls and processes in place for managing this significant risk. Even though the financial risk committee regularly addresses market risks, an independent review by internal audit can provide additional assurance to stakeholders about the effectiveness of these risk management practices. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2010 - Planning, and Standard 2130 - Control.

**NEW QUESTION: 99**

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**Answer: (SHOW ANSWER)**

The best reason why the engagement supervisor should take care in explaining to local management the criteria that will be used to measure the effectiveness of the control environment is that the assessment will cover soft controls and company values. Soft controls, such as ethical conduct and organizational culture, are less tangible and can be subject to different interpretations. Clearly defining and communicating the criteria for assessing these controls is crucial to ensure transparency and mutual understanding of the audit's focus and objectives. References: IIA guidelines and best practices in evaluating the control environment, emphasizing the importance of clear communication about the scope and criteria of an audit, especially when it involves qualitative aspects like soft controls and organizational values.

**NEW QUESTION: 100**

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**Answer: C (LEAVE A REPLY)**

Conducting training sessions on fraud that should be attended by senior management and staff is the most effective approach to address the issue of senior management's limited understanding of fraud. Training provides direct education on what constitutes fraud, how it impacts the organization, and the role of management in preventing and detecting fraud, thereby increasing awareness and reducing the risk of fraud.

References: Fraud risk management guidelines; IIA guidance on fraud awareness and training.

**NEW QUESTION: 101**

Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.

- A. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.
- B. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.
- C. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.
- D. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.

**Answer: B (LEAVE A REPLY)**

Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.

References:

- \* IIA Standard 1210.A2 - Proficiency: Internal auditors must have sufficient knowledge to evaluate the risk of fraud.
- \* IIA Practice Guide on Fraud and Internal Auditors.

**NEW QUESTION: 102**

In this situation, the appropriate action for the internal auditor is to remain independent and avoid roles that could impair this independence, such as making managerial decisions. By

- A. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.
- B. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.
- C. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.
- D. Internal auditors are required to have sufficient knowledge to identify indicators of fraud. They should recognize red flags and investigate them further, even if their primary responsibility is not to detect fraud.

**Answer: (SHOW ANSWER)**

In this situation, the appropriate action for the internal auditor is to remain independent and avoid roles that could impair this independence, such as making managerial decisions. By

advising and then directing the management to submit the proposal to senior management and the board, the auditor maintains an advisory role without crossing into decision-making territory, thus preserving the independence necessary for an assurance role. References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 103**

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**Answer: A (LEAVE A REPLY)**

According to IIA guidance, the internal audit activity should refrain from conducting an assurance engagement for which it lacks the necessary competencies or skills. This requirement ensures that internal audits are carried out effectively and that audit conclusions are reliable. It upholds the integrity and professionalism of the internal audit function by ensuring that all engagements are performed with the requisite level of expertise. References: The IIA's International Standards for the Professional Practice of Internal Auditing on proficiency and due professional care.

**NEW QUESTION: 104**

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**Answer: A (LEAVE A REPLY)**

Risk appetite is the amount and type of risk that an organization is willing to accept in pursuit of its objectives<sup>2</sup>. It reflects the organization's risk culture and strategy, and guides the risk assessment, response, and reporting processes<sup>3</sup>. In this case, the decision to invest in a stock that could have a high expected return rate without taking any risk mitigation activities illustrates a high risk appetite, as the organization is willing to accept a high level of uncertainty and volatility for a potential reward<sup>4</sup>.

References:

1: Risk Resources in Internal Audit | The IIA

2: Risk-based internal audit - Wikipedia

3: What is Risk Management in Internal Audit - ESG | The Report

4: Internal Audit 1 January 13, 2012 - vsu.edu

**NEW QUESTION: 105**

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**Answer: D (LEAVE A REPLY)**

In consulting engagements, the needs and expectations of the engagement client are a greater consideration compared to assurance engagements. This is because consulting engagements are typically more advisory in nature and specifically tailored to provide value and improve an organization's operations based on the client's requirements. In assurance engagements, the focus is more on the independent assessment against criteria or standards, which does not vary based on client needs to the same extent. References:

\* IIA Practice Advisory on Consulting Services

**NEW QUESTION: 106**

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**Answer: C (LEAVE A REPLY)**

When assessing the greatest risk among the provided observations in the audit of the risk management process, we must evaluate which issue could most significantly impact the organization's ability to manage risks effectively. Here is a detailed analysis of each option:

- \* Option A: While not reviewing identified risks for completeness in the past two years is a concern, it does not necessarily imply that new risks have not been identified or managed during that time.
- \* Option B: Not testing controls annually to confirm operating effectiveness is a significant issue, but existing controls may still be functioning effectively.

- \* Option C: An informal and poorly documented process to identify and evaluate new risks presents a critical weakness. This means the organization might be unaware of emerging risks, leading to unmanaged exposures that could cause significant harm.
- \* Option D: Not ranking identified risks to establish their importance affects prioritization but does not prevent risk identification or basic management.

The greatest risk is posed by Option C because an informal and poorly documented process to identify and evaluate new risks undermines the entire risk management framework, potentially allowing significant and emerging risks to go unrecognized and unaddressed.

References:

- \* The Institute of Internal Auditors (IIA) Standards and Guidance on Risk Management.
- \* COSO ERM Framework.

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**NEW QUESTION: 107**

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**Answer: A (LEAVE A REPLY)**

According to the Institute of Internal Auditors (IIA), the internal audit activity can play several roles in risk management, but its involvement should be advisory and facilitative in nature. The most appropriate role from the given options for the internal audit activity in an organization's risk management process is championing the establishment of a risk management framework. This includes advocating for risk management throughout the organization and helping management establish and improve the risk management framework without taking on management responsibilities, such as setting risk appetite or maintaining sole responsibility for risk management. References:

- \* IIA Position Paper: "The Role of Internal Auditing in Enterprise-wide Risk Management"

**NEW QUESTION: 108**



of competency requires internal auditors to perform audit services with the necessary knowledge, skills, and experience. Accepting an assignment without the required expertise undermines the quality and reliability of the audit work.

References:

\* The IIA Code of Ethics: "Internal auditors shall engage only in those services for which they have the necessary knowledge, skills, and experience."

\* The IIA Standards: Standard 1210 - Proficiency: "Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities."

**NEW QUESTION: 111**

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**Answer: C (LEAVE A REPLY)**

The quality assurance and improvement program (QAIP) should include both internal assessments performed by staff and external assessments performed by independent, objective individuals. This ensures that the internal audit activity maintains high standards of quality and adheres to professional guidelines.

\* Option A: The QAIP must include ongoing internal assessments and external assessments every five years, not necessarily every three years.

\* Option B: While ongoing self-assessments are part of QAIP, external assessments by independent assessors are also required.

\* Option D: The board may set scoping limitations, but the comprehensive nature of QAIP includes both internal and external evaluations without board-imposed restrictions.

References:

\* IIA Standard 1300: Quality Assurance and Improvement Program.

\* IIA Standard 1312: External Assessments.

**NEW QUESTION: 112**

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**Answer: C (LEAVE A REPLY)**

Internal auditors may provide consulting services relating to operations for which they had previous responsibilities, provided they do not currently have any operational

responsibilities that would impair their objectivity. This scenario is possible under IIA guidelines as long as any potential conflicts of interest are managed, and auditors maintain their independence regarding the areas they are auditing. References: IIA's International Standards for the Professional Practice of Internal Auditing, specifically standards on objectivity and independence in consulting roles.

**NEW QUESTION: 113**

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**Answer: D (LEAVE A REPLY)**

Advanced expertise in internal auditing is largely based on the knowledge, skills, and abilities that are generally expected of all internal auditors. According to IIA guidance, all internal auditors should be proficient in risk management, control, and governance processes, including the ability to evaluate fraud risk and the ability to assess risk management strategies. However, creating test databases is a specialized technical skill that goes beyond the typical expertise of internal auditors. This type of skill is more commonly found among IT auditors or those with specific training in information technology, and it is not typically expected of all internal auditors. References: The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 114**

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**Answer: (SHOW ANSWER)**

Assurance services involve three parties: the auditor, the auditee, and the user of the report. In consulting services, the internal audit activity and the client work together directly, generally involving only two parties.

References:

- \* IIA's International Professional Practices Framework (IPPF).
- \* IIA Practice Guide: Assurance and Consulting Services.

**NEW QUESTION: 115**

Which of the following is a characteristic of an organization's risk management framework?

- A. Risk is assessed on both an inherent and a residual basis.
- B. Risk is assessed on both an inherent and a residual basis.
- C. Risk is assessed on both an inherent and a residual basis.
- D. Risk is assessed on both an inherent and a residual basis.

**Answer: B (LEAVE A REPLY)**

A typical characteristic of an organization's risk management framework is that risk is assessed on both an inherent and a residual basis. Inherent risk is the level of risk in the absence of any controls or other management actions influencing the outcome. Residual risk is the risk that remains after controls and other treatment actions are taken. This dual approach helps organizations understand the full spectrum of risk before and after mitigative actions. References: Risk management frameworks, including COSO and ISO 31000.

**NEW QUESTION: 116**

Which of the following is a characteristic of an organization's risk management framework? (CAE) is involved in developing controls, as this constitutes a management function. According to IIA standards, internal auditors must remain independent and objective, avoiding roles that involve direct management responsibilities.

- A. CAE is involved in developing controls.
- B. Internal auditors must remain independent and objective.
- C. Internal auditors must remain independent and objective.
- D. Internal auditors must remain independent and objective.

**Answer: A (LEAVE A REPLY)**

The internal audit activity's independence is impaired if the chief audit executive (CAE) is involved in developing controls, as this constitutes a management function. According to IIA standards, internal auditors must remain independent and objective, avoiding roles that involve direct management responsibilities.

Developing specific controls prompted by a new regulatory requirement blurs the lines between management and audit functions, impairing the ability of the internal audit activity to later provide an objective assessment of those controls.

References:

- \* IIA Standard 1112: Chief Audit Executive Roles Beyond Internal Auditing
- \* IIA Standard 1100: Independence and Objectivity

**NEW QUESTION: 117**

Which of the following is a characteristic of an organization's risk management framework?

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**Answer: C (LEAVE A REPLY)**

Considering the possibility of noncompliance or irregularities at all times during an engagement best demonstrates an internal auditor's due professional care. This proactive approach to skepticism ensures that the auditor remains vigilant and prepared to identify any indications of noncompliance or irregular activities, which is central to upholding the integrity of the audit process. References: IIA standards on due professional care, which emphasize the importance of maintaining an attitude of professional skepticism throughout the audit process.

**NEW QUESTION: 118**

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**Answer: A (LEAVE A REPLY)**

In the context of fraud risk assessment, the "fraud triangle" framework is commonly used to understand the factors that contribute to fraudulent behavior. The fraud triangle consists of three components: pressure, opportunity, and rationalization.

Pressure to commit fraud can arise from various personal or financial situations that create stress or a perceived need to engage in fraudulent activities. An employee believing that a poor compensation package justifies engaging in unethical behavior represents a form of financial pressure, which is one of the key elements in the fraud triangle. This scenario indicates that the employee feels driven to commit fraud due to dissatisfaction with their remuneration, which constitutes a pressure to commit fraud.

References:

- \* IIA Practice Guide: Fraud and Internal Audit
- \* COSO Fraud Risk Management Guide

**NEW QUESTION: 119**

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Answer: C (LEAVE A REPLY)

Exiting a product line is an example of risk avoidance. This strategy involves eliminating a specific threat or risk entirely by discontinuing the activity that generates the risk. In this context, ceasing operations of a product line effectively removes all associated risks related to that line of business. References: Risk management strategies and concepts

**NEW QUESTION: 120**

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Answer: C (LEAVE A REPLY)

The proper drafting and approval of the internal audit charter by the appropriate parties (e.g., the board or audit committee) offer the clearest evidence that the internal audit activity has achieved organizational independence. The internal audit charter formally defines the purpose, authority, and responsibility of the internal audit activity, including its independence from management and its direct reporting line to the board or audit committee. This document is foundational for establishing and maintaining the independence of the internal audit function.

References:

\* IIA Standard 1000: Purpose, Authority, and Responsibility

\* IIA Standard 1110: Organizational Independence

**NEW QUESTION: 121**

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Answer: D (LEAVE A REPLY)

Under the circumstances described, the type of fraud most likely to occur is skimming. Skimming involves stealing cash before it is recorded on the organization's books. Since



Establishing these policies is fundamental to ensuring that all engagements are performed with diligence and in accordance with professional standards. References: IIA Standard 1300 - Quality Assurance and Improvement Program

**NEW QUESTION: 124**

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**Answer: D (LEAVE A REPLY)**

The best course of action for the auditor in this scenario is to disclose the potential impairment to the customer before accepting the consulting engagement. By doing so, the auditor maintains transparency regarding any conflicts of interest and allows the customer to make an informed decision about the auditor's objectivity. Disclosing prior involvement ensures that both the auditor and the client acknowledge and address any potential bias that could affect the outcomes of the consulting service. References: IIA's International Standards for the Professional Practice of Internal Auditing and Code of Ethics.

**NEW QUESTION: 125**

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**Answer: D (LEAVE A REPLY)**

According to the IIA's guidance on risk management, the internal audit activity is not responsible for managing risks directly but plays a key role in evaluating the effectiveness of risk management processes.

One way internal auditors contribute is by using established risk management or control frameworks to assist in identifying and assessing risks during their audits. This enables auditors to provide valuable insights and recommendations regarding risk management practices in the organization. References: The Institute of Internal Auditors (IIA) - Guidance on Risk Management

**NEW QUESTION: 126**

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**Answer: B (LEAVE A REPLY)**

If the assignment is a consulting engagement, the best action for the new internal auditor, who recently transferred from being an accounts payable clerk, is to decline the assignment and ask to be reassigned. This avoids any conflict of interest and maintains objectivity, as the auditor would be evaluating processes for which they were previously responsible, potentially compromising the independence and objectivity required in consulting engagements. References: IIA Standards 1120 - Objectivity

**NEW QUESTION: 127**

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**Answer: (SHOW ANSWER)**

According to IIA guidance, the chief audit executive (CAE) must obtain competent advice and assistance if the internal audit activity lacks the knowledge, skills, or other competencies needed to complete the audit engagement. This ensures that the internal audit activity can effectively carry out its responsibilities by supplementing its capabilities where necessary to maintain quality and effectiveness. References: IIA Standard 1210 - Proficiency

**NEW QUESTION: 128**

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**Answer: (SHOW ANSWER)**

The IIA Code of Ethics states that integrity is fundamental and describes behaviors such as honesty and responsibility. In this scenario, being completely honest with operational management about unfavorable audit results exemplifies the principle of integrity. References: The Institute of Internal Auditors (IIA) "Code of Ethics", which details the principles and expectations for the professional practice of internal auditing, including integrity as a key principle.

**NEW QUESTION: 129**

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**Answer: (SHOW ANSWER)**

Internal auditors focus on assessing the adequacy of controls to manage various risks within the organization, including operational and strategic risks. External auditors primarily focus on the accuracy and reliability of the organization's financial statements and compliance with relevant accounting standards. References:

- \* IIA Standard 2100: Nature of Work.
- \* IIA Practice Guide: Coordination and Reliance: Developing an Assurance Map.
- \* External Audit Standards (e.g., Generally Accepted Auditing Standards - GAAS).

**NEW QUESTION: 130**

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**Answer: C (LEAVE A REPLY)**

To maintain organizational independence, the internal audit activity must be free from interference in determining the scope of their work. This independence is crucial for ensuring that the audit process is objective and unbiased, allowing auditors to assess areas they deem necessary without external pressures or limitations. This autonomy helps in providing an honest and accurate evaluation of the organization's controls, risk management, and governance processes.

References:

- \* The Institute of Internal Auditors (IIA) Standards, specifically Standard 1100 - Independence and Objectivity.
- \* IIA's International Professional Practices Framework (IPPF).
- \* "Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on Independence and Objectivity.

**NEW QUESTION: 131**

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**Answer: C (LEAVE A REPLY)**

A whistleblower hotline serves as a preventive control by deterring potential perpetrators of fraud. Knowing that their actions can be reported easily and anonymously through the hotline creates a psychological barrier against committing fraud (Option C). This preventive aspect is supported by the IIA's guidance on fraud risk management, which highlights the role of whistleblower mechanisms in creating an environment where unethical behavior is less likely to occur due to the increased risk of detection and reporting.

- References:
- \* IIA Practice Guide: Internal Auditing and Fraud
  - \* ACFE's Fraud Prevention Resources

**NEW QUESTION: 132**

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**Answer: A (LEAVE A REPLY)**

The scenario that best illustrates the concept of due professional care is when an internal auditor establishes engagement objectives, reviews processes systematically, and assures process owners that all significant risk events were identified and tested using a disciplined approach. This scenario reflects adherence to the standard of due professional care which mandates that internal auditors must apply the care and skill expected of a reasonably prudent and competent auditor. References: The IIA's International Standards for the Professional Practice of Internal Auditing, particularly those standards related to due professional care.

**NEW QUESTION: 133**

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**Answer: (SHOW ANSWER)**

If an auditor concluded a major audit finding based on hearsay evidence, it indicates a lack of demonstration of due professional care. Due professional care requires that conclusions be based on evidence that is sufficient, reliable, relevant, and useful to support audit findings and recommendations. Relying on hearsay does not meet these criteria and undermines the audit's reliability and credibility. References: IIA standards related to due professional care, which dictate that internal auditors must gather adequate factual evidence to support their findings and conclusions.

**NEW QUESTION: 134**

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**Answer: C (LEAVE A REPLY)**

The type of risk that an adequately designed and effectively operating system of internal controls should mitigate is "Residual" risk. Residual risk is what remains after internal controls are applied to inherent risk. This is the primary focus of most internal control systems, which are intended to reduce risks to an acceptable level. References: Risk management frameworks and internal control literature, such as COSO and the Institute of Internal Auditors (IIA) guidance.

**NEW QUESTION: 135**

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**Answer: A (LEAVE A REPLY)**

The inclusion of the clause stating that engagements are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing can be justified if internal audit activity policies and engagement records provide relevant, sufficient, and competent evidence that the statement is correct.

This evidence shows adherence to the Standards in audit planning, execution, and reporting, ensuring the quality and reliability of audit results as per the Standards' requirements. References: International Standards for the Professional Practice of Internal Auditing; guidelines on quality assurance and improvement programs.

**NEW QUESTION: 136**

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**Answer: (SHOW ANSWER)**

According to IIA guidance, the 'familiarity' threat to objectivity occurs when an internal auditor has a long- term business relationship with the audit client. This kind of relationship can lead to a closeness or trust that might compromise the auditor's objective assessment of the client's policies, procedures, or transactions due to a lack of critical assessment or skepticism. References: The IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing on objectivity and conflict of interest.

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**NEW QUESTION: 137**

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**Answer: C (LEAVE A REPLY)**

In analyzing the situation where a key account manager failed to register a large number of contracts, a competent internal auditor should evaluate whether attributes such as intent and personal gain were present.

This involves assessing whether the individual's actions were deliberate and motivated by personal benefits.

Understanding these attributes is crucial for determining the root cause of the issue and identifying potential fraud or misconduct. It also helps in making recommendations to prevent future occurrences.

References:

- \* IIA Practice Guide: Fraud and Internal Audit
- \* IIA Standard 1210.A2: Proficiency - Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization

**NEW QUESTION: 138**

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**Answer: (SHOW ANSWER)**

The engagement supervisor is demonstrating the ability to understand the needs of stakeholders. By reading the business plan and meeting informally with the finance director, the supervisor is actively gathering information about the department's goals, challenges, and issues, which is crucial for aligning the audit objectives with the stakeholders' expectations and ensuring the engagement adds value. References: Institute of Internal Auditors (IIA) - Core Competencies for Today's Internal Auditor

**NEW QUESTION: 139**

Which of the following is a key component of ongoing monitoring?

- A. Reviewing audit reports and tracking audit recommendations.
- B. Measuring key performance indicators.
- C. Acquiring feedback from audit clients and other stakeholders.
- D. Conducting regular management and supervisory activities.

**Answer: A (LEAVE A REPLY)**

Ongoing monitoring is a continuous process of evaluating the performance and quality of the internal audit activity<sup>2</sup>. It includes regular management and supervisory activities, such as reviewing audit reports, tracking audit recommendations, and measuring key performance indicators<sup>3</sup>. One of the ways to monitor the performance of the internal audit activity is to acquire feedback from audit clients and other stakeholders, such as the board, senior management, regulators, and external auditors<sup>4</sup>. Feedback can help to assess the value, effectiveness, and satisfaction of the internal audit services<sup>5</sup>.

References:

1: Checklist for Addressing Ongoing Monitoring and Auditing 2: Internal Controls |

Controller's Office 3:

Performance Standards - The Institute of Internal Auditors or The IIA 4: Chapter 7 Audit

Flashcards | Quizlet 5: Applying the International Professional Practices Framework, 4th edition, by Urton Anderson and Andrew J. Dahle (2018), p. 113

**NEW QUESTION: 140**

Which of the following is a key component of due professional care?

- A. Understanding the engagement objectives and scope fully.
- B. Exercising appropriate diligence and professionalism during audits.
- C. Reviewing audit reports and tracking audit recommendations.
- D. Measuring key performance indicators.

**Answer: C (LEAVE A REPLY)**

Due professional care requires internal auditors to understand the engagement objectives and scope fully, ensuring their work is thorough and appropriate for the given situation. It involves exercising appropriate diligence and professionalism during audits. References:

\* IIA Standard 1220: Due Professional Care.

\* IIA Practice Guide: Demonstrating Due Professional Care.

**NEW QUESTION: 141**

Which of the following is a key component of the internal audit function?

- A. Reviewing audit reports and tracking audit recommendations.
- B. Measuring key performance indicators.
- C. Acquiring feedback from audit clients and other stakeholders.
- D. Conducting regular management and supervisory activities.

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**Answer: B (LEAVE A REPLY)**

The primary objective when implementing a risk management framework is to enhance an organization's confidence in achieving its strategy. A risk management framework helps an organization identify, assess, and manage risks that could impact its ability to achieve strategic objectives. By systematically managing risks, the organization can make informed decisions, allocate resources more effectively, and improve its overall resilience, thus increasing confidence in achieving its strategic goals. References:

\* COSO's Enterprise Risk Management - Integrating with Strategy and Performance.

\* The IIA's Practice Guide on Risk Management.

**NEW QUESTION: 142**

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**Answer: B (LEAVE A REPLY)**

The effectiveness of the control environment is a fundamental aspect that internal auditors must consider to ensure a comprehensive assessment of the adequacy of controls. The control environment sets the tone at the top and is the foundation on which the rest of the control structure is built, influencing the effectiveness and robustness of specific controls. References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 143**

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**Answer: B (LEAVE A REPLY)**

Residual risk is the remaining risk after management has implemented risk responses. The auditor is assessing what could still go wrong despite the effectiveness of the risk management technique in place, which is evaluating the remaining exposure to risk.

References:

\* IIA Standard 2120: Risk Management.

\* COSO Enterprise Risk Management Framework.

**NEW QUESTION: 144**

IT projects often face significant risks. At the beginning of the IT development project, risk owners are appointed. However, the project later faces significant issues such as being over budget, delays, and loss of key personnel. These issues indicate that the ongoing management and oversight of identified risks were insufficient.

- A. Risk monitoring.
- B. Risk assessment.
- C. Risk management.
- D. Risk identification.

**Answer: C (LEAVE A REPLY)**

In the context of internal auditing and risk management, the situation described involves the identification of key risks at the beginning of the IT development project, with risk owners appointed. However, the project later faces significant issues such as being over budget, delays, and loss of key personnel. These issues indicate that the ongoing management and oversight of identified risks were insufficient.

Risk monitoring is the continuous process of tracking and evaluating the performance and changes in the risk environment. Effective risk monitoring ensures that risk responses are executed as planned, emerging risks are identified, and necessary adjustments are made. The failure to stay on budget, meet deadlines, and retain key personnel suggests that there were lapses in regularly reviewing and updating the risk management plan and responses as the project progressed. Therefore, the risk management practice that should be improved for future projects is risk monitoring.

References:

- \* Institute of Internal Auditors (IIA), "Risk Management and Internal Audit: Forging a Collaborative Alliance"
- \* ISO 31000:2018 Risk Management - Guidelines

**NEW QUESTION: 145**

According to the standards and practices of internal auditing, the internal audit function is primarily responsible for providing an independent and objective assurance and consulting. The internal audit function is primarily responsible for providing an independent and objective assurance and consulting.

- A. Consulting.
- B. Assurance.
- C. Reporting.
- D. Monitoring.

**Answer: B (LEAVE A REPLY)**

According to the standards and practices of internal auditing, the internal audit function is primarily responsible for providing an independent and objective assurance and consulting

service aimed at adding value and improving an organization's operations. If internal auditors were tasked with developing controls in business procedures, it could compromise their objectivity. Objectivity is crucial as it allows auditors to carry out audits impartially and without bias. Involvement in control creation could lead internal auditors to later audit their own work, which is a conflict of interest and undermines the principle of independence and objectivity as set by the Institute of Internal Auditors (IIA).References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 146**

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**Answer: D (LEAVE A REPLY)**

The International Standards for the Professional Practice of Internal Auditing (Standards) emphasize that internal auditors must be free from interference in determining the scope of internal auditing, performing work, and communicating results. Standard 1110 - Organizational Independence, and Standard 1120 - Individual Objectivity, require that internal auditors have access to all relevant records, personnel, and physical properties within the scope of their audit activities. If an area under review restricts the internal audit activity's ability to access records, it directly impacts the auditor's ability to perform their duties objectively and without interference. This scenario undermines the core principles of independence and objectivity, necessitating the CAE to discontinue using statements indicating conformance with the Standards, as the audit results may be compromised.References:

\* The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) - Standards 1110 and 1120.

**NEW QUESTION: 147**

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Part of the internal audit activity's duties includes assisting management in developing processes and controls to manage risks and issues. While internal auditors are primarily responsible for evaluating the effectiveness of risk management and control processes, they also play a key role in advising and consulting with management to help design and improve these processes, thereby adding value to the organization.

References:

\* The IIA Standards: Standard 2130 - Governance: "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes for making strategic and operational decisions, overseeing risk management and control, and promoting appropriate ethics and values within the organization."

\* IIA Practice Guide: "Consulting Services and the Internal Audit Activity": Discusses how internal auditors can provide value-added services, including assisting management with process improvements and control development.

**NEW QUESTION: 150**

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**Answer: A (LEAVE A REPLY)**

The internal audit charter is a formal document that defines the purpose, authority, and responsibility of the internal audit activity. It establishes the internal audit activity's position within the organization, authorizes access to records, personnel, and physical properties relevant to the performance of engagements, and defines the scope of internal audit activities. Final approval of the internal audit charter by the board ensures that there is a clear understanding and agreement on how the internal audit activity should function, thus supporting objectivity in carrying out its duties. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 151**

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**Answer: B (LEAVE A REPLY)**

Incentive-based compensation structures can increase risks to the organization's control environment by potentially motivating undesirable behaviors such as taking undue risks or manipulating results to meet targets that trigger compensation rewards. This can undermine the integrity of controls and reporting within the organization. References:

Governance and risk management literature, including studies and guidance on compensation structures and their impact on organizational behavior and risk.

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**30%OFF Special Discount: KrDump)**

**NEW QUESTION: 152**

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**Answer: (SHOW ANSWER)**

Facilitating a self-assessment of the organization's business risk and control identification is most likely to be classified as a consulting engagement. This type of activity involves helping the organization with advice and assistance to manage and improve its risk management, control, and governance processes, which aligns with the definition of consulting services provided by internal auditors. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 153**

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**Answer: C (LEAVE A REPLY)**

Corporate social responsibility (CSR) refers to an organization's overall commitment to improving the quality of life for its employees and the community at large. This commitment involves ethical behavior, sustainable practices, and contributions to social and environmental well-being. CSR initiatives aim to create a positive impact on society while also enhancing the organization's reputation and stakeholder relationships.

References:

\* The IIA Standards: Standard 2110 - Governance: "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance

processes for making strategic and operational decisions, overseeing risk management and control, and promoting appropriate ethics and values within the organization."

\* COSO ERM Framework: Discusses the role of CSR in enhancing organizational sustainability and stakeholder value.

**NEW QUESTION: 154**

IIA requires the chief audit executive to report the results of the quality assurance and improvement program, including external assessments, at least annually. This ensures that the board and senior management are kept informed about the internal audit activity's conformance with the Standards and other aspects of audit quality. References: IIA's International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement.

- A. The chief audit executive is required to report the results of the quality assurance and improvement program, including external assessments, at least annually.
- B. The chief audit executive is required to report the results of the quality assurance and improvement program, including external assessments, at least annually.
- C. The chief audit executive is required to report the results of the quality assurance and improvement program, including external assessments, at least annually.
- D. The chief audit executive is required to report the results of the quality assurance and improvement program, including external assessments, at least annually.

**Answer: B (LEAVE A REPLY)**

According to IIA guidance, the chief audit executive is required to report the results of the quality assurance and improvement program, including external assessments, at least annually. This ensures that the board and senior management are kept informed about the internal audit activity's conformance with the Standards and other aspects of audit quality. References: IIA's International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement.

**NEW QUESTION: 155**

Risk management is not solely about mitigating or eliminating potential hazards but also involves identifying and seizing potential opportunities that can benefit the organization. Effective risk management allows an organization to balance risk and reward, making informed decisions that align with its strategic objectives. This approach ensures a proactive stance in optimizing performance and achieving competitive advantage while managing risks. References: The Institute of Internal Auditors (IIA) Standards and Practice Advisories. COSO Enterprise Risk Management (ERM) Framework. "Risk Management: Principles and Practices" by IIA.

- A. Risk management is not solely about mitigating or eliminating potential hazards but also involves identifying and seizing potential opportunities that can benefit the organization.
- B. Risk management is not solely about mitigating or eliminating potential hazards but also involves identifying and seizing potential opportunities that can benefit the organization.
- C. Risk management is not solely about mitigating or eliminating potential hazards but also involves identifying and seizing potential opportunities that can benefit the organization.
- D. Risk management is not solely about mitigating or eliminating potential hazards but also involves identifying and seizing potential opportunities that can benefit the organization.

**Answer: B (LEAVE A REPLY)**

Risk management is not solely about mitigating or eliminating potential hazards but also involves identifying and seizing potential opportunities that can benefit the organization. Effective risk management allows an organization to balance risk and reward, making informed decisions that align with its strategic objectives. This approach ensures a proactive stance in optimizing performance and achieving competitive advantage while managing risks.

References:

- \* The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
- \* COSO Enterprise Risk Management (ERM) Framework.
- \* "Risk Management: Principles and Practices" by IIA.

**NEW QUESTION: 156**

IIA requires the chief audit executive to report the results of the quality assurance and improvement program, including external assessments, at least annually. This ensures that the board and senior management are kept informed about the internal audit activity's conformance with the Standards and other aspects of audit quality. References: IIA's International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement.

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

**Answer: B (LEAVE A REPLY)**

According to IIA guidance, the internal audit activity can consult on CSR program design and implementation, serve as an advisor on CSR governance and risk management, and identify and mitigate risks to help meet the CSR program objectives. These roles enable the internal audit to add value through both advisory and assurance services regarding CSR, aligning with their expertise in governance, risk management, and control. References: IIA guidance on the role of internal auditing in corporate social responsibility; Standards on advisory services.

**NEW QUESTION: 157**

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**Answer: (SHOW ANSWER)**

Information misrepresentation is often considered an off-book fraud. Off-book fraud refers to deceptive activities that do not directly involve the organization's accounting systems but relate to the misrepresentation or manipulation of information outside of recorded transactions. This type of fraud might involve falsifying business records, misstating facts to stakeholders, or other forms of deceit not directly reflected in financial records. References: Fraud examination and financial forensics literature, which often categorize information misrepresentation under off-book schemes.

**NEW QUESTION: 158**

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D. Internal auditors focus on the accuracy and understandability of financial statements, while external auditors help the organization accomplish its objectives by evaluating and improving the effectiveness of the control process. This distinction highlights the broader scope of internal audit activities, which extend beyond financial accuracy to include operational effectiveness, risk management, and internal control efficiency.

**Answer: (SHOW ANSWER)**

The best description of the differences between internal and external auditors is that external auditors focus on the accuracy and understandability of financial statements, while internal auditors help the organization accomplish its objectives by evaluating and improving the effectiveness of the control process. This distinction highlights the broader scope of internal audit activities, which extend beyond financial accuracy to include operational effectiveness, risk management, and internal control efficiency. References: Common distinctions between internal and external audit roles as discussed in auditing literature and IIA guidance.

**NEW QUESTION: 159**

Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting. This type of fraud indicates a higher level of risk and potential impact on the organization, which makes it critical for the audit committee to be informed promptly so that appropriate measures can be taken.

- A. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.
- B. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.
- C. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.
- D. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.

**Answer: B (LEAVE A REPLY)**

Fraud involving significant amounts, such as theft using collusion for more than \$10,000, should be reported to the audit committee at the next meeting. This type of fraud indicates a higher level of risk and potential impact on the organization, which makes it critical for the audit committee to be informed promptly so that appropriate measures can be taken. References: Guidelines on fraud reporting from the Institute of Internal Auditors

**NEW QUESTION: 160**

When an internal audit team discovers that products were sold to a prohibited country due to sanctions, the best course of action is to consult with the legal department. This step ensures that the internal audit team receives expert advice on the legal implications and the appropriate course of action. Reporting to government regulators or external auditors without legal consultation may result in incorrect or premature actions. The legal department can guide the auditors on compliance with relevant laws and regulations, ensuring that the organization handles the violation appropriately.

- A. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.
- B. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.
- C. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.
- D. Internal auditors should report fraud involving significant amounts, such as theft using collusion for more than \$10,000, to the audit committee at the next meeting.

**Answer: (SHOW ANSWER)**

When an internal audit team discovers that products were sold to a prohibited country due to sanctions, the best course of action is to consult with the legal department. This step ensures that the internal audit team receives expert advice on the legal implications and the appropriate course of action. Reporting to government regulators or external auditors without legal consultation may result in incorrect or premature actions. The legal department can guide the auditors on compliance with relevant laws and regulations, ensuring that the organization handles the violation appropriately.

References:

\* The IIA Standards: Standard 2060 - Reporting to Senior Management and the Board: "The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan."

\* The IIA Practice Guide: "Coordinating Risk Management and Assurance": Emphasizes the importance of consulting with legal experts on matters involving regulatory compliance.

**NEW QUESTION: 161**

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**Answer: D (LEAVE A REPLY)**

A consulting service is the type of engagement that requires the client to agree with the techniques used by the internal audit activity. In consulting engagements, the scope and objectives, as well as the methodology and techniques to be used, are agreed upon with the client to ensure that the services meet their needs and expectations. References: IIA International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 162**

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**Answer: (SHOW ANSWER)**

Performing a surprise audit is a detective control strategy against fraud. Surprise audits can uncover irregularities and fraudulent activities that might not be detected through routine audit procedures. By their unexpected nature, they can serve as a deterrent against fraud and help identify breaches in internal controls.

References: IIA guidance on control activities and fraud prevention

**NEW QUESTION: 163**

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4. Which of the following questions would be most relevant to assessing the design of a training program for an organization's ethics program?

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

**Answer: B (LEAVE A REPLY)**

In assessing the design of a training program for an organization's ethics program, the most relevant questions would be those that address the content of the training and the feedback mechanism used to foster ethical decision-making. Questions 1 and 4 directly relate to these aspects, examining if the training includes ethical decision-making scenarios and if there is feedback on the thought processes involved, which are critical for effective ethics training. References: IIA guidance on auditing ethics programs, focusing on the effectiveness and design of training components.

**NEW QUESTION: 164**

Which of the following actions would be most likely to identify gaps in the internal audit activity's knowledge, skills, and competencies?

- A. Conduct a skills assessment of the internal audit activity based on The IIA Global Internal Audit Competency Framework.
- B. IIA assess the internal audit activity's knowledge, skills, and competencies based on the IIA Global Internal Audit Competency Framework.
- C. Conduct a skills assessment of the internal audit activity based on the IIA Global Internal Audit Competency Framework.
- D. Conduct a skills assessment of the internal audit activity based on the IIA Global Internal Audit Competency Framework.

**Answer: (SHOW ANSWER)**

The most likely action a chief audit executive would take to identify gaps in the internal audit activity's knowledge, skills, and competencies is to complete a skills assessment of the internal audit activity based on The IIA Global Internal Audit Competency Framework. This framework provides a structured and comprehensive approach to assess the current capabilities and identify any areas requiring improvement or development within the audit team. References: The Institute of Internal Auditors (IIA) - Global Internal Audit Competency Framework.

**NEW QUESTION: 165**

Which of the following actions would be most likely to identify gaps in the internal audit activity's knowledge, skills, and competencies?

- A. Conduct a skills assessment of the internal audit activity based on The IIA Global Internal Audit Competency Framework.
- B. IIA assess the internal audit activity's knowledge, skills, and competencies based on the IIA Global Internal Audit Competency Framework.
- C. Conduct a skills assessment of the internal audit activity based on the IIA Global Internal Audit Competency Framework.
- D. Conduct a skills assessment of the internal audit activity based on the IIA Global Internal Audit Competency Framework.

**Answer: B (LEAVE A REPLY)**



**Answer: C (LEAVE A REPLY)**

The internal audit charter should include the Definition of Internal Auditing, along with the Core Principles, Code of Ethics, and Standards. This definition provides clarity on the purpose, authority, and responsibility of the internal audit function within the organization.

References:

\* IIA's International Professional Practices Framework (IPPF) - Internal Audit Charter requirements.

**NEW QUESTION: 168**

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**Answer: C (LEAVE A REPLY)**

In risk management, inherent risk refers to the exposure or amount of risk present without taking into account the controls. When controls are introduced, they reduce the inherent risk to a level known as residual risk, which is the remaining risk after controls are applied. The correct outcome for the scenario where controls are functioning as intended is that the residual risk is reduced to an acceptable level. It's important to note that rarely do controls completely eliminate risk, hence residual risk cannot typically be eliminated but only reduced to an acceptable threshold. References: IIA guidance on risk assessment terms and concepts.

**NEW QUESTION: 169**

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**Answer: (SHOW ANSWER)**

The auditor violated the principle of confidentiality by disclosing information about the organization without approval. According to IIA guidance, internal auditors are expected to respect the confidentiality of information acquired in the course of their duties and not disclose any such information without proper authorization, unless there is a legal or professional obligation to do so. References: The Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 170**

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**Answer: D (LEAVE A REPLY)**

Demonstrating due professional care involves assessing the cost of assurance in relation to the potential benefits (Option D).

This approach ensures that internal audit resources are used efficiently and effectively, providing value to the organization. According to IIA Standards, Standard 1220: Due Professional Care, internal auditors must consider the extent of work needed to achieve the engagement's objectives and the relative complexity, materiality, or significance of matters to which assurance procedures are applied. Staffing audit engagements with qualified auditors (Option A), relying on prior work (Option B), and guaranteeing identification of all significant risks (Option C) do not fully encapsulate the essence of due professional care, which balances cost and benefit. References:

- \* IIA Standards, Standard 1220: Due Professional Care
- \* IIA's International Professional Practices Framework (IPPF)

**NEW QUESTION: 171**

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**Answer: B (LEAVE A REPLY)**

The board's perception of the internal audit activity influences the charter's development. IIA standards emphasize that the internal audit charter should reflect the board's expectations to ensure the audit function's authority and independence.

**NEW QUESTION: 172**

Which of the following is a key principle of ISO 31000 risk management? IIA guidance states that, when implementing the risk management process in a dynamic agency, it is most appropriate that the risk management process should be regularly reviewed and respond to changes in the environment to remain relevant. This principle ensures that the risk management practices are flexible and adaptive, reflecting the dynamic nature of risk within a changing organizational and external environment. This approach is consistent with both the IIA's guidance on risk management and the principles outlined in ISO 31000. References: The Institute of Internal Auditors (IIA) - Guidance on Risk Management, ISO 31000 Risk Management Guidelines.

- A. The risk management process should be reviewed and updated on a regular basis.
- B. The risk management process should be reviewed and updated only when there are significant changes in the environment.
- C. The risk management process should be reviewed and updated as needed to remain relevant.
- D. The risk management process should be reviewed and updated only when there are significant changes in the organization's risk profile.

**Answer: C (LEAVE A REPLY)**

According to IIA guidance, when implementing the risk management process in a dynamic agency, it is most appropriate that the risk management process should be regularly reviewed and respond to changes in the environment to remain relevant. This principle ensures that the risk management practices are flexible and adaptive, reflecting the dynamic nature of risk within a changing organizational and external environment. This approach is consistent with both the IIA's guidance on risk management and the principles outlined in ISO 31000. References: The Institute of Internal Auditors (IIA) - Guidance on Risk Management, ISO 31000 Risk Management Guidelines.

**NEW QUESTION: 173**

Which of the following is a limitation of detective internal controls in fraud management?

- A. They are not designed to prevent fraud but to identify fraud after it has occurred.
- B. They do not stop the initial occurrence of fraudulent activities.
- C. They are not designed to provide feedback on incidents of fraud.
- D. They do not stop the initial occurrence of fraudulent activities.

**Answer: D (LEAVE A REPLY)**

Detective internal controls are a limitation in fraud management because they are not designed to prevent fraud but to identify fraud after it has occurred. Their primary purpose is to detect and provide feedback on incidents of fraud, thereby allowing corrective action to be taken. However, they do not stop the initial occurrence of fraudulent activities. References: IIA guidance on types of controls and their effectiveness in fraud prevention.

**NEW QUESTION: 174**

Which of the following is a key principle of ISO 31000 risk management? IIA guidance states that, when implementing the risk management process in a dynamic agency, it is most appropriate that the risk management process should be regularly reviewed and respond to changes in the environment to remain relevant. This principle ensures that the risk management practices are flexible and adaptive, reflecting the dynamic nature of risk within a changing organizational and external environment. This approach is consistent with both the IIA's guidance on risk management and the principles outlined in ISO 31000. References: The Institute of Internal Auditors (IIA) - Guidance on Risk Management, ISO 31000 Risk Management Guidelines.

- A. The risk management process should be reviewed and updated on a regular basis.
- B. The risk management process should be reviewed and updated only when there are significant changes in the environment.

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**Answer: A (LEAVE A REPLY)**

By recommending revisions to the internal audit charter that include requirements regarding the hiring and compensation of the chief audit executive and the approval of the internal audit budget, the board is most likely defining the functional and administrative responsibilities of the internal audit activity. These aspects pertain to the organizational structure and resource management within the internal audit function, which are fundamental to its operation and effectiveness. References: IIA guidance on internal audit charters and governance.

**NEW QUESTION: 175**

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**Answer: B (LEAVE A REPLY)**

An effective continuing professional education (CPE) program for internal auditors involves ongoing development and engagement with the broader professional community. By encouraging auditors to volunteer and support research work of the local professional institute, the CAE promotes professional growth, knowledge sharing, and staying current with industry best practices and emerging trends. This practice not only enhances the auditors' skills and knowledge but also fosters networking and professional development opportunities.

References:

\* The IIA Standards: Standard 1230 - Continuing Professional Development: "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development."

\* IIA Practice Guide: "Continuing Professional Education (CPE)": Highlights the importance of engagement with professional bodies and continuous learning as part of an effective CPE program.

**NEW QUESTION: 176**

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- A. The chief audit executive should allow the hiring but restrict the contractor from working on IT security audits for one year.
- B. The chief audit executive should allow the hiring but restrict the contractor from working on IT security audits for two years.
- C. The chief audit executive should allow the hiring but restrict the contractor from working on IT security audits for one year.
- D. The chief audit executive should allow the hiring but restrict the contractor from working on IT security audits for two years.

**Answer: C (LEAVE A REPLY)**

If the IT contractor previously worked under the bank's IT security manager and is now applying for an internal audit position at the bank, the chief audit executive should allow the hiring but restrict the contractor from working on IT security audits for one year. This measure prevents potential conflicts of interest and ensures that the contractor's prior association with the IT security manager does not influence audit objectivity. References: IIA Standards for Professional Practice of Internal Auditing, specifically those related to objectivity and conflicts of interest.

**NEW QUESTION: 177**

The chief audit executive is reviewing the internal audit function's performance. Which of the following is the most important factor in determining the internal audit function's effectiveness?

- A. The internal audit function's independence.
- B. The internal audit function's objectivity.
- C. The internal audit function's risk-based approach.
- D. The internal audit function's communication.

**Answer: A (LEAVE A REPLY)**

The Mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight<sup>2</sup>. One of the activities that the internal audit activity performs to fulfill this mission is to conduct reviews of internal risk and controls, which means evaluating and improving the effectiveness of risk management, control, and governance processes in the organization<sup>3</sup>. This helps the organization to achieve its objectives and mitigate its risks.

References:

1: CIA Exam Practice Questions - Certified Internal Auditor 2019

2: Mission of Internal Audit

3: About Internal Audit : What is Risk Management in Internal Audit - ESG | The Report

**NEW QUESTION: 178**

The chief audit executive is reviewing the internal audit function's performance. Which of the following is the most important factor in determining the internal audit function's effectiveness?

- A. Independence.
- B. Objectivity.

- C. □□□□□.
- D. □□□□□.

**Answer: C (LEAVE A REPLY)**

Inherent risk is the exposure to loss in an organization that arises from the nature of its activities without taking into account any actions the organization takes to alter that risk level. A scenario planning exercise that considers a significant reduction in annual snowfall addresses inherent risk, as it relates to potential impacts that naturally arise from changes in weather patterns, which are intrinsic to the business of a snow removal company. References: Risk management terminology and frameworks.

**NEW QUESTION: 179**

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**Answer: C (LEAVE A REPLY)**

According to IIA guidance, internal auditors must consider using technology in their audit engagements only when the implementation cost does not exceed the benefits. This approach aligns with the principle of adding value and effectiveness in audit processes while maintaining cost-effectiveness. References: The IIA's guidelines on the use of technology in auditing, including cost-benefit analysis considerations.

**NEW QUESTION: 180**

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**Answer: (SHOW ANSWER)**

According to the International Standards for the Professional Practice of Internal Auditing (Standards), internal auditors must exhibit due professional care in their work. Due professional care implies that internal auditors must apply the care and skill expected of a reasonably prudent and competent auditor. Standard 1220 of the IIA's International Standards states that internal auditors must consider the use of technology-based audit and other data analysis techniques. Furthermore, they should be alert to the significant

risks that might affect objectives, operations, or resources. Demonstrating the necessary skills and proficiency (Option B) directly aligns with the requirement of due professional care, as it ensures that auditors have the capability to identify and manage risks effectively. References:

- \* IIA Standards, Standard 1220: Due Professional Care
- \* IIA's International Professional Practices Framework (IPPF)

**NEW QUESTION: 181**

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**Answer: (SHOW ANSWER)**

According to IIA guidance, the internal audit activity can participate in and provide consulting services that add value and improve an organization's operations. By assisting the committee and consulting with management on the organization's responses and control activities, the internal audit activity utilizes its expertise in risk management while maintaining its advisory role without compromising its independence or objectivity. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

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**NEW QUESTION: 182**

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**Answer: C (LEAVE A REPLY)**

Segregation of personnel duties is a control that is designed to prevent an undesired activity from happening, such as errors, fraud, or misuse of resources. It means dividing the tasks and responsibilities related to a process or activity among different people, so that no one person has complete control over it<sup>2</sup>. This reduces the opportunity and incentive for anyone to manipulate or falsify the data or transactions, and increases the chances of detection if they do<sup>3</sup>.

References:

1: Preventive Controls: What Are They & Why Are They Important?<sup>3</sup> 2: Segregation of Duties - The Institute of Internal Auditors or The IIA 3: Segregation of Duties - Wikipedia

**NEW QUESTION: 183**

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**Answer: B (LEAVE A REPLY)**

The board has approved the risk tolerance of the organization. Risk tolerance is the level of risk that an organization is willing to accept while pursuing its objectives before action is deemed necessary to reduce the risk. In this scenario, the board's acceptance of potential large monetary losses indicates their willingness to tolerate these losses in pursuit of expanding into a new market. References: The IIA's guidance on risk management, specifically relating to defining and understanding risk appetite and risk tolerance.

**NEW QUESTION: 184**

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**Answer: (SHOW ANSWER)**

When an internal auditor encounters a situation where a former colleague works in the department being audited, declaring a conflict of interest and handing over the engagement to another auditor is the best way to ensure objectivity. This approach avoids

any potential biases that might arise from personal connections and ensures the credibility and integrity of the audit process are maintained. References: The IIA's Standards for the Professional Practice of Internal Auditing and Code of Ethics.

**NEW QUESTION: 185**

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**Answer: C (LEAVE A REPLY)**

Periodic evaluations are complementary to ongoing monitoring in an organization's risk management process.

The frequency and extent of these evaluations often depend on findings from ongoing monitoring, which may highlight areas needing more in-depth review or indicate that existing controls are functioning effectively.

This dependency ensures that periodic evaluations are targeted and efficient. References: Institute of Internal Auditors (IIA) - Guidance on Risk Management and Monitoring Top of Form

**NEW QUESTION: 186**

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**Answer: (SHOW ANSWER)**

An effective risk management process is indicated by the organization's ability to identify and adequately assess significant risks. This involves understanding the full range of potential risks the organization faces and evaluating their magnitude and likelihood in a way that aligns with the organization's risk appetite and capacity. This ability ensures that strategic decisions are informed and that risks are managed proactively.

References: COSO Framework on Enterprise Risk Management, which outlines the importance of identifying and assessing risks in relation to an organization's objectives.

**NEW QUESTION: 187**

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**Answer: B (LEAVE A REPLY)**

The purpose of informally interviewing the manager of the reviewed area after the draft engagement report is issued is to gather feedback that can be used for the audit team's professional development. This feedback can provide insights into how the audit was conducted, how the auditors interacted with the auditee, and the perceived value of the audit. It helps the audit team to identify strengths and areas for improvement, enhancing the quality and effectiveness of future audits.

References:

- \* IIA Practice Guide: Quality Assurance and Improvement Program
- \* IIA Standard 1311: Internal Assessments

**NEW QUESTION: 188**

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**Answer: D (LEAVE A REPLY)**

Internal auditors must remain independent and should not take on management responsibilities. Prioritizing risks for management crosses this line and constitutes assuming a management role, which compromises the auditor's independence and objectivity. References:

- \* IIA Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing.
- \* IIA Standard 1100 - Independence and Objectivity.

**NEW QUESTION: 189**

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**Answer: (SHOW ANSWER)**

The personnel development practice applied in this situation is 'outbound rotation.' This practice involves temporarily assigning staff from their usual roles into other departments or functions within the organization to gain a deeper understanding and knowledge of those areas. In this case, the internal auditor working in the procurement department to learn about the procurement process is a classic example of an outbound rotation.

References: Human resources management practices and IIA guidelines on staff development

**NEW QUESTION: 190**

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**Answer: B (LEAVE A REPLY)**

The principle from the IIA's Code of Ethics that would be violated by not informing the chief audit executive about the lack of required IT expertise is Competency. This principle requires that internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services. By deciding to perform an engagement without the necessary IT expertise, the auditor fails to meet the standards of competency expected. References: The IIA's Code of Ethics, specifically the section on Competency.

**NEW QUESTION: 191**

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**Answer: C (LEAVE A REPLY)**

According to IIA guidance, a new internal auditor is expected to possess a broad understanding of IT risks and controls. This competency is crucial because:

- \* IT risks and controls are integral to the overall control environment and impact all areas of an organization.
- \* Knowledge of IT risks and controls enables auditors to assess the effectiveness of controls over information systems, data security, and technology infrastructure.
- \* As technology evolves, internal auditors must understand how to evaluate IT-related controls to provide relevant assurance and advisory services.

While technical industry-specific expertise, cybersecurity expertise, and forensic accounting knowledge are valuable, they are not core competencies expected of every new internal auditor according to IIA guidance.

The fundamental requirement is a solid grasp of IT risks and controls.

References:

- \* The Institute of Internal Auditors (IIA) Competency Framework.

\* "Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on IT Risks and Controls.

\* IIA's Global Internal Audit Competency Framework.

**NEW QUESTION: 192**

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**Answer: D (LEAVE A REPLY)**

The board of directors plays a leading role in overseeing the ethical atmosphere of an organization. They are responsible for establishing and promoting the organization's values and ethical standards. The board sets the tone at the top and ensures that senior management implements policies and procedures that support ethical behavior throughout the organization. This oversight includes monitoring compliance with ethical standards and addressing any ethical issues that arise. References:

\* The IIA's International Professional Practices Framework (IPPF) - Practice Guide on Ethical Leadership.

\* COSO's Enterprise Risk Management - Integrating with Strategy and Performance.

**NEW QUESTION: 193**

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**Answer: A (LEAVE A REPLY)**

The chief audit executive (CAE) would include the scope and frequency of both internal and external quality assessments on the quarterly board meeting agenda as part of the internal audit activity's quality assurance and improvement program. This topic is essential for ensuring the board is informed about the mechanisms in place to maintain and enhance the quality of the internal audit function. Regular updates on quality assessments help the board understand the effectiveness of the internal audit activity and its commitment to continuous improvement. References:

\* The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) - Standard 1311: Internal Assessments and Standard 1312: External Assessments.

\* The IIA's Quality Assessment Manual.



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**Answer: (SHOW ANSWER)**

Compensation programs, if improperly designed, are most likely to trigger undesired adverse behavior. They can incentivize the wrong actions or behaviors if they are overly aggressive or misaligned with the organization's ethical standards or long-term goals. For instance, excessively performance-based incentives might encourage short-term gains at the expense of long-term stability, leading to risky or unethical behavior.

References: Institute of Internal Auditors (IIA) - Practice Guide: Assessing Organizational Governance in the Private Sector

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**30%OFF Special Discount: KrDump)**

**NEW QUESTION: 197**

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**Answer: B (LEAVE A REPLY)**

A risk management framework is a system for identifying, evaluating and prioritising risks and minimising their impact. The primary goal of a risk management framework is to preserve a company's capital and earnings while allowing it to develop<sup>2</sup>. There is no one-size-fits-all approach to risk management, as different organizations face different types and levels of risks depending on their industry, size, culture, objectives, and strategies<sup>3</sup>. Therefore, the organization should ensure that its risk management framework is tailored to its specific needs and circumstances, and reflects its risk appetite and tolerance.

References:

- 1: Risk Management Framework (RMF) Definition - Investopedia
- 2: A Guide to the Risk Management Framework (With Examples)
- 3: What Is A Risk Management Framework (RMF)? 2023 Guide - SelectHub :

**NEW QUESTION: 198**

Which of the following is NOT an essential skill for a head of internal audit?  
A. Data analysis and mining, technical and IT skills, and risk management and planning  
B. Communication skills  
C. IIA Core Principles for the Professional Practice of Internal Auditing  
D. Understanding of the organization's business

Which of the following is NOT an essential skill for a head of internal audit?

- A. Data analysis and mining, technical and IT skills, and risk management and planning
- B. Communication skills
- C. IIA Core Principles for the Professional Practice of Internal Auditing
- D. Understanding of the organization's business

**Answer: (SHOW ANSWER)**

One of the essential skills for a head of internal audit is the ability to apply the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA). The IPPF consists of mandatory and supplemental guidance that provides the principles, standards, and best practices for internal audit activities<sup>2</sup>. A head of internal audit should be familiar with the IPPF and ensure that the internal audit function conforms to its requirements and expectations<sup>3</sup>. The IPPF also helps the head of internal audit to demonstrate the value and quality of internal audit to the stakeholders, such as the board, senior management, regulators, and external auditors<sup>4</sup>.

Some additional information:

\* Data analysis and mining, technical and IT skills, and risk management and planning are also important skills for a head of internal audit, but they are not specific to the role. These skills are relevant for any internal auditor or manager who needs to perform effective and efficient audits, use appropriate tools and techniques, and assess and mitigate risks<sup>5</sup>.

\* The mandatory guidance of the IPPF includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing<sup>2</sup>.

\* The supplemental guidance of the IPPF includes Implementation Guidance, Supplemental Guidance, and Practice Advisories that provide detailed guidance on how to apply the Standards in various situations and contexts<sup>2</sup>.

**NEW QUESTION: 199**

Which of the following is NOT an essential skill for a head of internal audit?  
A. Data analysis and mining, technical and IT skills, and risk management and planning  
B. Communication skills  
C. IIA Core Principles for the Professional Practice of Internal Auditing  
D. Understanding of the organization's business

- A. Data analysis and mining, technical and IT skills, and risk management and planning
- B. Communication skills
- C. IIA Core Principles for the Professional Practice of Internal Auditing
- D. Understanding of the organization's business



**NEW QUESTION: 202**

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**Answer: D (LEAVE A REPLY)**

The principle of the IIA Code of Ethics that focuses on continuing education and professional development is Competency. This principle emphasizes the need for internal auditors to maintain their skills and knowledge at a level required to perform their duties competently. Continuing education and professional development are essential to achieving this. References: IIA Code of Ethics.

**NEW QUESTION: 203**

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**Answer: (SHOW ANSWER)**

In the quality assurance and improvement program (QAIP) reporting, the inclusion of conformance of individual engagements with the Standards is essential. This aspect of the QAIP ensures that all audit activities adhere to the International Standards for the Professional Practice of Internal Auditing, thereby maintaining the integrity and effectiveness of the audit function. Reporting on conformance highlights the audit activity's alignment with globally recognized standards and practices, which is a critical component of quality assurance in internal auditing. References: IIA's International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement Programs.

**NEW QUESTION: 204**

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**Answer: (SHOW ANSWER)**

This action by the organization's board would potentially impair the internal audit activity's independence, because it would create a reporting threat that could undermine the CAE's

ability to communicate the results of internal audit engagements objectively and directly to the board or the audit committee<sup>2</sup>. The CAE should have unrestricted access to the board or the audit committee, and should not be subject to any undue influence or interference from senior management in reporting the internal audit findings, opinions, and recommendations<sup>3</sup>.

References:

1: Standard 1110 - Organizational Independence - The Institute of Internal Auditors or The IIA 2:

Independence and Objectivity - The Institute of Internal Auditors or The IIA 3: Position paper: Independence and objectivity | Delivering internal audit | Resources | IIA An internal auditor is assigned to an assurance engagement.

**NEW QUESTION: 205**

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**Answer: B (LEAVE A REPLY)**

When the internal audit staff lacks the necessary skills for a specific audit, such as reviewing controls around the disposal of chemical waste, the most appropriate approach is to assemble a team of internal auditors and consult with an external expert on chemical waste disposal. This ensures that the audit is conducted with the requisite level of technical expertise and objectivity, supported by professional guidance. This approach is in line with best practices that recommend leveraging external expertise when internal competencies do not meet the specific needs of an audit. References:

\* The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), specifically guidelines on using external experts in audit engagements.

**NEW QUESTION: 206**

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**Answer: B (LEAVE A REPLY)**

The internal audit activity contributes to the implementation of the risk management framework by assisting with the prioritization of identified risks. This is done through the provision of assurance and consulting services that help the organization to understand which risks are most significant and how they should be addressed based on their impact and likelihood. References: IIA Performance Standards on risk management; literature on internal audit's role in risk assessment and management.

**NEW QUESTION: 207**

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**Answer: (SHOW ANSWER)**

Implementing fair work and pay practices and a policy to treat employees equitably and consistently will most likely reduce the pressure or incentive as a common characteristic of fraud. These measures can help diminish feelings of unfair treatment or dissatisfaction among employees, which are often drivers behind the rationalization for committing fraud. References: Fraud Triangle and organizational behavior literature.

**NEW QUESTION: 208**

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**Answer: C (LEAVE A REPLY)**

System validations and edit checks on vendor identification numbers are primary controls that effectively reduce the risk of setting up duplicate vendors in the system. These controls ensure that each vendor's information is unique and verified against existing records before a new vendor is entered into the system, thereby preventing duplication. References: Institute of Internal Auditors (IIA) - Risk Control Matrices and Internal Control Frameworks

**NEW QUESTION: 209**

Which of the following controls would most likely prevent the fraudulent modification of vendors' banking information?

- A. Management's approval being required for updates to vendors' banking information.
- B. Management's approval being required for updates to vendors' banking information.
- C. Management's approval being required for updates to vendors' banking information.
- D. Management's approval being required for updates to vendors' banking information.

**Answer: B (LEAVE A REPLY)**

The control that would have likely prevented the fraudulent modification of vendors' banking information is management's approval being required for updates to vendors' banking information. This control would provide a layer of verification and oversight, significantly reducing the risk of unauthorized and fraudulent changes. References: Best practices in vendor management and internal controls over payment processes, as advocated by The IIA.

**NEW QUESTION: 210**

Which of the following best describes a consulting service provided by the internal audit activity?

- A. An engagement that is designed to add value and improve an organization's operations, which aligns with the definition of consulting services according to IIA standards.
- B. An engagement that is designed to add value and improve an organization's operations, which aligns with the definition of consulting services according to IIA standards.
- C. An engagement that is designed to add value and improve an organization's operations, which aligns with the definition of consulting services according to IIA standards.
- D. An engagement that is designed to add value and improve an organization's operations, which aligns with the definition of consulting services according to IIA standards.

**Answer: C (LEAVE A REPLY)**

An engagement classifies as a consulting service provided by the internal audit activity when the internal auditor assigned to the engagement was specifically requested by management of the area under review. This scenario typically indicates that the engagement is designed to add value and improve an organization's operations, which aligns with the definition of consulting services according to IIA standards. References: The IIA's definitions and guidelines regarding the nature of consulting services, which often involve engagements initiated at the request of management for specific expertise or advice.

**NEW QUESTION: 211**

Which of the following best describes a consulting service provided by the internal audit activity?

CAE is a consulting service provided by the internal audit activity?

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**Answer: (SHOW ANSWER)**

When faced with a court order that may involve sharing confidential information, it is appropriate and prudent for the chief audit executive (CAE) to consult with legal counsel. This step ensures that the CAE understands the legal obligations and constraints before disclosing audit reports and workpapers that contain sensitive customer information, balancing legal compliance with the duty to protect confidentiality. References: Institute of Internal Auditors (IIA) - Guidelines on Handling Legal and Ethical Issues

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**NEW QUESTION: 212**

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**Answer: A (LEAVE A REPLY)**

The auditor's reluctance to apply statistical functions in spreadsheet software indicates a gap in applying analytical and problem-solving skills in complex data environments. This gap relates to critical thinking, which involves understanding logical connections between ideas, identifying the relevance and importance of arguments, and systematically solving problems. Training in critical thinking would equip the auditor to better utilize analytical tools and improve efficiency and effectiveness in auditing tasks. References: Internal auditing educational materials on auditor competencies and skills development

**NEW QUESTION: 213**

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**Answer: (SHOW ANSWER)**

The most reliable source of documentation for conformance with the standard for continuing professional development is the organization's training policy. This policy typically outlines the requirements for ongoing education, training, and professional development for internal auditors. It may include mandatory training hours, the types of training that qualify, and procedures for tracking and reporting completed training. Other documents, such as a list of auditors attending a conference or an in-house training manual, may provide evidence of individual training activities but do not provide comprehensive proof of an ongoing commitment to professional development across the entire internal audit activity.

References:

- \* IIA Standard 1230: Continuing Professional Development
- \* IIA Practice Guide: Continuing Professional Development

**NEW QUESTION: 214**

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**Answer: C (LEAVE A REPLY)**

The most appropriate consideration when adopting a risk and control framework for a new internal audit activity is that the framework should always be tailored to the organization. This ensures that the framework is relevant to the specific operational, cultural, and strategic contexts of the organization, which enhances its effectiveness in managing risk and improves the alignment of control processes with organizational objectives.

References: Best practices in risk management and internal control frameworks, such as those provided by COSO and ISO, which emphasize the importance of customizing frameworks to fit the unique needs and characteristics of the organization.

**NEW QUESTION: 215**

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- A. The auditor must not assume management responsibilities while performing the engagement.
- B. CAE must not assume management responsibilities while performing the engagement.
- C. The auditor must not assume management responsibilities while performing the engagement.
- D. The auditor must not assume management responsibilities while performing the engagement.

**Answer: C (LEAVE A REPLY)**

The indication that an internal auditor was assigned to an assurance engagement is most strongly given by the requirement that the auditor must not assume management responsibilities while performing the engagement.

This aligns with the principles of objectivity and independence, which are critical in assurance engagements to provide unbiased and reliable conclusions. Taking on management responsibilities could compromise the auditor's objectivity by involving them in the operations they are auditing. References: IIA's International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 216**

- What is the primary benefit of an effective professional development program for internal auditors?
- A. It enhances their business acumen.
  - B. It improves their communication skills.
  - C. It increases their technical skills.
  - D. It improves their interpersonal skills.

**Answer: A (LEAVE A REPLY)**

The primary benefit of an effective professional development program for internal auditors is that it enhances their business acumen. By continuously improving their knowledge and skills, internal auditors become better equipped to understand and evaluate the complex business processes they audit. This enhancement allows them to provide more valuable insights and recommendations to the organization. Professional development programs cover a wide range of topics, including industry trends, emerging risks, and new auditing techniques, all of which contribute to the auditors' ability to perform their duties effectively.

References:

- \* The IIA Standards: Standard 1230 - Continuing Professional Development: "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development."
- \* COSO Framework: Emphasizes the importance of ongoing professional development to ensure effective internal control and risk management.

**NEW QUESTION: 217**

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**Answer: B (LEAVE A REPLY)**

According to IIA guidance, the chief audit executive (CAE) may consider performing a self-assessment with independent external validation in lieu of performing a full external assessment. This is known as a self- assessment with independent validation (SAIV) and is acceptable as a part of the internal audit activity's quality assurance and improvement program. Choosing an independent reviewer or review team to perform sufficient tests of the self-assessment to validate the results is also aligned with IIA standards for maintaining quality within the internal audit function. References: IIA Standard 1300: Quality Assurance and Improvement Program, which outlines requirements for ongoing and periodic reviews of the internal audit activity.

### NEW QUESTION: 218

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**Answer: C (LEAVE A REPLY)**

According to The IIA's Code of Ethics, objectivity must be maintained by internal auditors, which means they should not allow personal feelings or prejudices to affect their professional judgment. In this scenario, altering the audit program to focus on an issue because of personal disagreement over the treatment of workers demonstrates a failure to

remain objective. References: The IIA's Code of Ethics, which outlines the principle of objectivity in the conduct of internal auditors.

**NEW QUESTION: 219**

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**Answer: (SHOW ANSWER)**

The best evidence of conformance with the Standards concerning the proficiency required of the internal audit activity would be a listing of employee profiles and certifications. This documentation provides concrete evidence of the knowledge, skills, and competencies of the internal audit staff, ensuring that they meet the requirements set forth by the professional standards and are capable of performing their duties effectively.

This also aligns with the Standards' requirement for the internal audit activity to possess the knowledge, skills, and other competencies needed to perform its responsibilities. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 220**

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**Answer: D (LEAVE A REPLY)**

Information misrepresentation involves the intentional misstatement or omission of important information in the financial reports to deceive users of those reports. In this scenario, the sales director's failure to correct the reserves for unearned income in the department's performance report, despite knowing it should be adjusted for cancellations, is a clear example of information misrepresentation. This act could lead to misleading stakeholders about the company's financial status, which fits the definition of information misrepresentation fraud. References:

\* IIA guidance on types of fraud and their characteristics

**NEW QUESTION: 221**

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**Answer: (SHOW ANSWER)**

Developing policies and procedures for the internal audit activity is the most effective way for the chief audit executive (CAE) to ensure that internal auditors demonstrate due professional care. This action provides a framework and guidelines that direct auditors on how to perform their duties in accordance with the highest standards of audit practice, including adherence to ethical and professional standards set out by bodies such as the IIA. References: IIA Standard 1300 - Quality Assurance and Improvement Program

**NEW QUESTION: 222**

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**Answer: B (LEAVE A REPLY)**

The organizational independence of an internal audit activity is considered impaired if there are scope limitations imposed on internal audits. Such limitations prevent the internal audit activity from fully evaluating and reporting on risk management, control, or governance processes within the organization, thus hindering the ability to perform work freely and objectively. Administrative reporting lines (such as to the CEO), the process of compensation approval, or assurance services provided for previous responsibilities do not inherently impair independence unless they lead to restrictions on audit scope or influence over audit findings. References: IIA Standards and guidance on independence and objectivity.

**NEW QUESTION: 223**

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**Answer: A (LEAVE A REPLY)**

The primary reason for establishing a continuing professional development program within an organization's internal audit activity is to ensure all internal audit responsibilities can be met. This program aims to maintain and enhance the knowledge, skills, and abilities of the

internal auditors so they can effectively perform their duties and adapt to changes in the profession or industry. References: IIA guidelines on continuing professional education and development.

**NEW QUESTION: 224**

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**Answer: (SHOW ANSWER)**

Due professional care is the care and skill expected of a reasonably prudent and competent internal auditor<sup>2</sup>. It requires internal auditors to follow the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA), which includes the Code of Ethics and the Standards<sup>3</sup>. One of the aspects of due professional care is to perform risk-based audits, which means identifying and assessing the risks that may affect the organization's objectives, and designing and executing audit procedures that provide reasonable assurance on the effectiveness of risk management and internal control<sup>4</sup>. Therefore, option B is an appropriate statement to include in the report to demonstrate how the internal audit activity meets its requirement for due professional care.

References:

- 1: Standard 1220 - Due Professional Care
- 2: Due professional care definition
- 3: What is due professional care in internal audit?
- 4: Standard 1220 - Due Professional Care - The Institute of Internal Auditors or The IIA

**NEW QUESTION: 225**

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**Answer: (SHOW ANSWER)**

The proficiency of an internal auditor as per the IIA standards is demonstrated by their ability to understand and evaluate risks relevant to their audit assignments. This includes having a sufficient understanding of IT risks and controls, as well as the ability to evaluate the risk of fraud within the organization. This knowledge is critical for performing effective and comprehensive audits that align with the organization's needs and audit standards. References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, particularly standards related to auditor proficiency and competency.

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**NEW QUESTION: 226**

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**Answer: (SHOW ANSWER)**

In a small organization where management cannot achieve adequate segregation of duties for its cash- handling procedures, installing hidden surveillance cameras to monitor these activities is an example of a compensating control. Compensating controls are alternative measures implemented to mitigate risk when primary controls (such as segregation of duties) cannot be fully achieved. These controls help maintain security and oversight despite limitations in the control environment. References: Internal control frameworks and best practices.

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**NEW QUESTION: 227**

Which of the following is the most concerning red flag for possible fraud or other serious issues?

- A. The CFO has left the organization after being promoted to the position over the past 18 months.
- B. The CFO has left the organization after being promoted to the position over the past 18 months.
- C. The CFO has left the organization after being promoted to the position over the past 18 months.
- D. The CFO has left the organization after being promoted to the position over the past 18 months.

**Answer: B (LEAVE A REPLY)**

The scenario where three chief financial officers have left the organization after being promoted to the position over the past 18 months presents the most concerning red flag for possible fraud or other serious issues. Such turnover at a high level, especially in a critical financial role, could indicate underlying problems such as financial mismanagement, conflict, or fraud. References: Institute of Internal Auditors (IIA) - Practice Guide: Assessing Fraud Risks

**NEW QUESTION: 228**

Which of the following is the type of fraud that involves an employee accepting cash payments and failing to record the sales, thereby diverting the cash for personal use?

- A. Skimming
- B. Kickback
- C. Embezzlement
- D. Theft

**Answer: B (LEAVE A REPLY)**

Skimming is the type of fraud that involves an employee accepting cash payments and failing to record the sales, thereby diverting the cash for personal use. This kind of fraud occurs before the transaction is recorded in the accounting records, making it particularly stealthy since it does not directly affect the accounting system. References: Fraud classification and types in internal audit literature

**NEW QUESTION: 229**

Which of the following is the type of fraud that involves an employee accepting cash payments and failing to record the sales, thereby diverting the cash for personal use?

- A. Skimming
- B. Kickback
- C. Embezzlement
- D. Theft

**Answer: B (LEAVE A REPLY)**

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities and the internal audit activity's plan. This applies to both assurance and consulting engagements, as they both require internal auditors to

provide risk-based and objective assurance, advice, and insight to the organization<sup>3</sup>. If the internal audit team lacks the necessary competencies for a specific engagement, they should obtain them through training, coaching, or external assistance<sup>4</sup>.

References:

1: CIA Exam Practice Questions - Certified Internal Auditor 2019 2: Standard 1210 - Proficiency - The Institute of Internal Auditors or The IIA 3: Mission of Internal Audit 4: Standard 1210.A3 - The Institute of Internal Auditors or The IIA

**NEW QUESTION: 230**

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**Answer: B (LEAVE A REPLY)**

According to IIA guidance, due professional care means that internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. This involves considering the cost of assurance in relation to potential benefits and exercising judgment and care in accordance with the complexity of the task. It does not imply an exhaustive review of all transactions or guarantees that all significant risks will be identified or that fraud does not exist. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, specifically those related to due professional care.

**NEW QUESTION: 231**

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**Answer: A (LEAVE A REPLY)**

According to the IIA's International Standards for the Professional Practice of Internal Auditing, the internal audit activity must ensure that auditors collectively possess all of the

competencies necessary to fulfill the internal audit plan. This standard recognizes that not every auditor will have every skill needed for every engagement, but collectively, the team should cover all necessary competencies. References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 232**

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**Answer: (SHOW ANSWER)**

The internal audit activity's appropriate role with regard to organizational governance assurance includes assessing compliance with the organization's code of conduct. This involves evaluating whether the organization's actions align with its stated ethical standards and conduct guidelines. This role is fundamental to assurance services, ensuring that governance processes reflect and enforce the organization's values and ethical standards as outlined in its code of conduct. References: IIA Standard 2110 - Governance

**NEW QUESTION: 233**

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**Answer: C (LEAVE A REPLY)**

Due professional care is the care and skill expected of a reasonably prudent and competent internal auditor<sup>2</sup>. It requires internal auditors to follow the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA), which includes the Code of Ethics and the Standards<sup>3</sup>. One of the aspects of due professional care is to perform risk-based audits, which means identifying and assessing the risks that may affect the organization's objectives, and designing and executing audit procedures that provide reasonable assurance on the effectiveness of risk management and internal control<sup>4</sup>. Therefore, option C is an appropriate statement to demonstrate how a small internal audit activity with limited resources can demonstrate due professional care by ensuring adequate focus on the most significant risks and areas.

References:

1: CIA Exam Practice Questions - Certified Internal Auditor 2019 2: Due professional care definition 3:

**NEW QUESTION: 234**

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**Answer: A (LEAVE A REPLY)**

When developing performance standards to measure an organization's risk management process, internal audit may use the key principles approach. This approach involves identifying and applying fundamental principles that underpin effective risk management practices. These principles provide a benchmark against which the organization's risk management process can be assessed, ensuring that the process aligns with best practices and contributes to achieving organizational objectives.

References:

- \* IIA Practice Guide: Assessing the Adequacy of Risk Management Using ISO 31000
- \* COSO Enterprise Risk Management Framework

**NEW QUESTION: 235**

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**Answer: A (LEAVE A REPLY)**

In a consulting engagement, it is generally acceptable and often expected that the engagement client will determine the scope of the engagement to ensure that the consulting services meet their specific needs. This collaborative approach helps in aligning the audit services with the desired outcomes of the client while maintaining the flexibility needed in consulting engagements. However, the internal auditor must ensure that such scope setting does not impair their objectivity.

References: The IIA's Practice Advisories on Consulting Engagements

**NEW QUESTION: 236**

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**Answer: D (LEAVE A REPLY)**

Senior management's decision to adopt new inventory management software despite its newness and associated risks illustrates 'Risk Appetite'. Risk appetite is the amount of risk, on a broad level, an organization is willing to accept in pursuit of its objectives before action is deemed necessary to reduce the risk. It reflects the enterprise's willingness to take risks to achieve its goals, which is clearly demonstrated in this scenario. References: COSO Enterprise Risk Management Framework

**NEW QUESTION: 237**

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**Answer: D (LEAVE A REPLY)**

Inherent risk refers to the exposure or possibility of an adverse outcome arising in an activity or environment, assuming no controls are in place to mitigate it. This risk exists independently of any action by the organization and considers both internal and external risk factors in their natural, uncontrolled state.

References: Institute of Internal Auditors (IIA) Glossary and Standards.

**NEW QUESTION: 238**

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**Answer: (SHOW ANSWER)**

The most effective and appropriate role for the internal audit activity with regard to IT governance is to assess whether governance activities are aligned with the organization's risk appetite and take into consideration emerging risks. This role involves evaluating the adequacy and effectiveness of the organization's IT governance framework, ensuring that



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**Answer: B (LEAVE A REPLY)**

For an organization that allows the same individuals to access physical inventory and purchase new assets, conducting a periodic inventory count and reconciling inventory movements is the best way to manage the risk of fraud. This approach ensures that inventory records are accurate and allows discrepancies to be identified and investigated promptly, thereby providing a check against fraudulent activities or errors.

References: Best practices in internal control procedures for inventory management, as recommended by the Institute of Internal Auditors (IIA).

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**NEW QUESTION: 242**

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**Answer: C (LEAVE A REPLY)**

When asked to provide consulting services regarding the risks related to implementing a proposed new inventory management system, the internal audit activity should consider whether the benefits derived from the requested assessment would exceed the cost of providing the consulting service. This ensures that the engagement adds value to the organization, aligning with the principles of efficiency and effectiveness in internal auditing. References: The IIA's guidance on conducting consulting engagements and assessing value and benefits relative to cost.

**NEW QUESTION: 243**

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**Answer: (SHOW ANSWER)**

This phrase from the interviewee is most likely to raise concerns regarding potential control deficiencies or fraud risks, because it indicates a lack of segregation of duties and proper backup arrangements in the purchasing process<sup>2</sup>. Segregation of duties is a key internal control that prevents or detects errors or fraud by ensuring that no single person has complete control over a transaction or activity<sup>3</sup>. Proper backup arrangements are also important to ensure that the purchasing process can continue smoothly and effectively in the absence of the department manager<sup>4</sup>. If the department manager cannot take more than a few days of vacation, it may suggest that he or she is trying to conceal some irregularities or misconduct in the purchasing process, or that there is no adequate supervision or review of his or her work<sup>5</sup>.

References:

- 1: Internal Audit Interview Questions & Answers - Wisdom Jobs
- 2: Segregation of Duties: A Key Internal Control - The CPA Journal
- 3: Segregation of Duties - The Institute of Internal Auditors or The IIA
- 4: Backup Arrangements - The Institute of Internal Auditors or The IIA
- 5: Fraud Prevention Checklist - The Institute of Internal Auditors or The IIA

**NEW QUESTION: 244**

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**Answer: (SHOW ANSWER)**

Demonstrating due professional care involves ensuring that the internal audit activity follows established guidelines and standards for conducting audit engagements. By

establishing internal audit manuals, an audit lead provides a structured approach and standardized procedures for the internal audit activity, which helps in maintaining consistency, quality, and adherence to professional standards. This practice exemplifies the application of due professional care by promoting thorough and well-documented audit processes.

References:

\* The IIA Standards: Standard 1220 - Due Professional Care: "Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility."

\* IIA Practice Guide: "Quality Assurance and Improvement Program": Highlights the importance of internal audit manuals and procedures in maintaining due professional care.

**NEW QUESTION: 245**

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**Answer: B (LEAVE A REPLY)**

If an internal auditor believes that the internal audit activity's independence is impaired, the first action to take should be to discuss the impairment with the audit manager. This step is crucial as the audit manager can provide guidance, support, and potentially escalate the issue appropriately within the governance framework.

It ensures that the concerns are addressed promptly and effectively within the internal audit function before reaching out to higher levels of management or the audit committee, maintaining a proper chain of communication and resolution. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 246**

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**Answer: C (LEAVE A REPLY)**

When developing a new cybersecurity risk management program, the first priority should be to define the cybersecurity risk appetite. This involves setting the acceptable level of

risk the organization is willing to tolerate and is critical to guide the scope and focus of the cybersecurity initiatives. Performing a cost-benefit analysis of the program at this stage is also crucial to ensure that the planned measures are economically viable and align with the organization's strategic objectives. References: Best practices in cybersecurity risk management

**NEW QUESTION: 247**

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**Answer: (SHOW ANSWER)**

If the internal audit activity accepts a request to determine appropriate risk management responses for management, it would impair its independence. The role of internal audit is to provide assurance and consulting services, but not to take on management responsibilities such as making decisions on risk responses. Doing so would compromise the objectivity and independence required of the internal audit function. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1100 - Independence and Objectivity, and Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing.

**NEW QUESTION: 248**

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**Answer: C (LEAVE A REPLY)**

The organization's risk management practices that were most likely ineffective in the scenario described involve the due diligence review of vendors during the bid review process. Effective due diligence would typically include an assessment of all potential risks associated with a vendor, including reputational and regulatory risks stemming from labor practices. Failure in this area suggests that the due diligence process was not thorough enough to identify these risks. References: Risk management frameworks and guidelines that emphasize the importance of comprehensive vendor due diligence as part of an organization's risk management practices.

**NEW QUESTION: 249**

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**Answer: (SHOW ANSWER)**

Obtaining insurance to protect against losses due to bad weather conditions is a strategy of risk sharing. Risk sharing involves transferring a portion of the risk to another party, often through mechanisms like insurance, hedging, or outsourcing. By obtaining insurance, an organization transfers the financial impact of adverse weather conditions to the insurer, thereby sharing the risk.

Risk avoidance (A) involves eliminating the risk entirely by not engaging in the activity that generates the risk. Risk reduction (B) refers to actions taken to decrease the likelihood or impact of the risk. Risk acceptance (C) means acknowledging the risk and deciding to bear the consequences without taking steps to mitigate it.

References:

- \* ISO 31000:2018 Risk Management - Guidelines
- \* COSO Enterprise Risk Management Framework

**NEW QUESTION: 250**

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**Answer: A (LEAVE A REPLY)**

Given the chief audit executive's (CAE) new responsibility for the risk management and compliance operations, the independence of the internal audit activity could be compromised in future audits of these functions. Therefore, to maintain objectivity and impartiality, audits of risk management and compliance functions should ideally be overseen by a competent external assurance provider. This approach ensures that the audit is free from internal influence and bias, aligning with the IIA's standards on

independence and objectivity. References: IIA Standard 1110 - Organizational Independence

**NEW QUESTION: 251**

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**Answer: (SHOW ANSWER)**

In creating a fraud risk matrix, an internal auditor would most likely include fraud scenarios along with the relevant risks associated with each scenario. This approach allows for a detailed analysis of specific fraudulent acts that could occur and the risk levels pertaining to different areas of operation within the branch.

This is essential for identifying and prioritizing fraud risks and helps in designing or enhancing controls to mitigate these risks effectively. References: IIA guidance on fraud risk management.

**NEW QUESTION: 252**

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**Answer: D (LEAVE A REPLY)**

Not disclosing a close relationship with a vendor being audited, such as having a sibling in a management position, creates a conflict of interest. The IIA stresses the importance of full disclosure to prevent impairments to objectivity.

**NEW QUESTION: 253**

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Answer: (SHOW ANSWER)

A detective control is designed to identify and correct errors or irregularities that have occurred. A compliance specialist conducting quarterly reviews fits this definition as it involves monitoring and detecting non-compliance issues after they have occurred, allowing for corrective actions to be taken. References:

\* COSO Internal Control Framework and the IIA's guidance on types of controls.

**NEW QUESTION: 254**

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Answer: D (LEAVE A REPLY)

A control weakness in the context of internal control over purchasing might be seen in the process where department managers initiate purchase requests that must be approved by the plant superintendent. If the approval process is not robust, this could lead to conflicts of interest or lack of independent review, especially if the superintendent has significant influence or control, and there are no further checks or balances. This situation could potentially allow for inappropriate approvals without sufficient oversight, representing a control weakness. References: Internal control frameworks, such as COSO (Committee of Sponsoring Organizations of the Treadway Commission).

**NEW QUESTION: 255**

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Answer: (SHOW ANSWER)

Workshops are likely the most efficient way for management to self-assess the overall effectiveness of the controls in a 200-person manufacturing department. Workshops can facilitate interactive discussions and group activities that help identify control gaps, understand employee perspectives, and consolidate feedback effectively across a large group. References: Best practices in internal control assessments and organizational development literature.

**NEW QUESTION: 256**

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**Answer: B (LEAVE A REPLY)**

The internal audit charter is a formal document that outlines the purpose, authority, and responsibility of the internal audit activity. It includes the functional and administrative reporting lines for the chief audit executive, which helps define the independence and objectivity of the internal audit function. This charter is crucial as it also establishes the framework within which the internal audit team operates, ensuring alignment with organizational goals and governance frameworks. References: The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

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**NEW QUESTION: 257**

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**Answer: A (LEAVE A REPLY)**

Whistleblowing is aligned with ethical responsibility, encouraging transparency and ethical behavior within organizations. IIA guidance on corporate social responsibility emphasizes that ethical responsibility involves safeguarding stakeholders' interests.

**NEW QUESTION: 258**

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**Answer: D (LEAVE A REPLY)**

Corruption in the context of unethical practices typically involves wrongdoing for personal gain or to benefit another at the expense of the organization. Demanding payment from a vendor for decisions made in the vendor's favor is a clear example of corruption, as it involves misuse of authority for personal benefit. The other options listed deal with accounting manipulations or reimbursement fraud, which, while unethical, are not examples of corruption as defined in auditing terminology. References: Association of Certified Fraud Examiners (ACFE) - Fraud Definitions and Classifications

**NEW QUESTION: 259**

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**Answer: D (LEAVE A REPLY)**

According to IIA guidance, the chief audit executive should review the quality assurance and improvement program of the internal audit activity progressively on a day-to-day basis. This continual review ensures that the internal audit activity remains effective and aligned with the organization's objectives and adheres to professional standards, thereby maintaining and enhancing the value provided by the audit function.

References: IIA standards related to the quality assurance and improvement program, which advocate for ongoing monitoring to ensure the effectiveness of the internal audit activity.

**NEW QUESTION: 260**

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**Answer: C (LEAVE A REPLY)**

Demonstrating due professional care during an assurance engagement, according to IIA standards, includes systematically planning, executing, and documenting audit procedures. This ensures that all aspects of the engagement are covered comprehensively and that findings and conclusions are well-supported and credible.

This approach aligns with the IIA's definition of due professional care, which emphasizes thoroughness and accuracy in the audit process. References: The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

**NEW QUESTION: 261**

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**Answer: C (LEAVE A REPLY)**

Implementing excessive internal controls can reduce staff productivity. When controls are overly complex or numerous, they can create inefficiencies and additional workloads for employees, leading to reduced productivity. Excessive controls can slow down processes, require more time for compliance activities, and divert attention from value-adding tasks, ultimately impacting overall organizational efficiency.

References:

- \* The IIA Standards: Standard 2130 - Governance: "The internal audit activity must assess and make appropriate recommendations to improve the organization's governance processes."
- \* COSO Framework: Emphasizes the need for balancing controls to avoid excessive burden on operations while maintaining effective risk management.

**NEW QUESTION: 262**

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**Answer: A (LEAVE A REPLY)**

The scenario indicates a lack of communication competency. Effective communication involves not only presenting audit findings clearly but also ensuring that management is adequately informed and understands the findings prior to the closing meeting. Sharing draft findings in a way that management was not familiar with and found confusing suggests shortcomings in how information was conveyed.

- \* Option B: Business acumen is understanding the business context, which is not the primary issue here.
- \* Option C: Persuasion involves influencing others, which is secondary to clear communication.
- \* Option D: Critical thinking is about analysis and judgment, not directly related to the communication issues described.

References:

\* IIA Standard 2420: Quality of Communications.

\* IIA Practice Guide: Communication.

**NEW QUESTION: 263**

Which of the following is a characteristic of a system of internal control?

- A. It is designed to help an organization achieve its objectives.
- B. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.
- C. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.
- D. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.

**Answer: D (LEAVE A REPLY)**

The statement that articulating measurable objectives is part of internal control is true. A system of internal control is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them. References: COSO Framework for Internal Control, which emphasizes the importance of clear, measurable objectives in effective internal control systems.

**NEW QUESTION: 264**

Which of the following is the most effective fraud prevention control among the listed options?

- A. An email alert sent to management for checks issued over \$100,000.
- B. A review of checks issued over \$100,000 by management.
- C. A review of checks issued over \$100,000 by the accounting department.
- D. A review of checks issued over \$100,000 by the internal audit department.

**Answer: A (LEAVE A REPLY)**

The most effective fraud prevention control among the listed options is an email alert sent to management for checks issued over \$100,000. This control directly addresses a potential high-risk area (large transactions) and ensures that transactions of significant amounts are reviewed and approved by management, thus providing a strong deterrent and detection mechanism for fraudulent activity. References: Common financial control practices and fraud prevention mechanisms in financial management.

**NEW QUESTION: 265**

Which of the following is a characteristic of a system of internal control?

- A. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.
- B. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.
- C. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.
- D. It is designed to help an organization achieve its objectives, and these objectives need to be clearly stated and measurable to effectively assess and control risks related to them.

D. The internal auditor's objectivity is best protected in the scenario where a former human resources manager conducts an effectiveness review of the appointment and termination process six months after transferring to the internal audit activity. This duration allows for a cooling-off period, which helps to mitigate potential conflicts of interest or biases related to the auditor's former role and responsibilities. References: IIA Standards regarding objectivity and conflicts of interest.

**Answer: A (LEAVE A REPLY)**

The internal auditor's objectivity is best protected in the scenario where a former human resources manager conducts an effectiveness review of the appointment and termination process six months after transferring to the internal audit activity. This duration allows for a cooling-off period, which helps to mitigate potential conflicts of interest or biases related to the auditor's former role and responsibilities. References: IIA Standards regarding objectivity and conflicts of interest.

**NEW QUESTION: 266**

The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity. References: The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

A. The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity. References: The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

B. The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity. References: The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

C. The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity. References: The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

D. The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity. References: The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

**Answer: A (LEAVE A REPLY)**

The IIA's Standards require that an external assessment of an organization's internal audit activity must be conducted at least once every five years. Option A is the only acceptable approach listed that aligns with these standards. It involves conducting a self-assessment with independent validation by a qualified and experienced internal auditor, followed by scheduling an external assessor who is also qualified and independent. This process ensures compliance with the IIA's requirement for external assessments, maintaining both the credibility and objectivity of the internal audit activity. References: The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

**NEW QUESTION: 267**

The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way

A. The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way

B. The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way

C. The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way

D. The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way

**Answer: D (LEAVE A REPLY)**

The best example of a computer forensic audit activity among the options provided is when an internal auditor recovers emails of an employee who was suspected of fraudulent activities. Computer forensics involves the application of investigation and analysis techniques to gather and preserve evidence from a particular computing device in a way

that is suitable for presentation in a court of law. Recovering emails for the purpose of investigating suspected fraud aligns well with these practices. References: Computer forensic audit techniques are commonly discussed in IIA publications and training related to forensic auditing and fraud examination.

**NEW QUESTION: 268**

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**Answer: B (LEAVE A REPLY)**

According to IIA guidance, internal auditors are encouraged to obtain appropriate professional designations.

This encouragement is part of a broader recommendation to pursue continuous professional development and maintain proficiency in audit practices. The statement correctly reflects the IIA's position on the importance of professional qualifications, though it does not imply that specific designations are mandatory. References: IIA standards and guidelines, which promote ongoing professional education and encourage auditors to obtain certifications relevant to their field of work.

**NEW QUESTION: 269**

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**Answer: (SHOW ANSWER)**

Consulting engagements often involve providing advice or opinions at management's request. In this case, providing input on the accounting pronouncements falls under a consulting capacity, consistent with IIA definitions of consulting services.

**NEW QUESTION: 270**

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**Answer: (SHOW ANSWER)**

A true statement regarding controls such as ethical values, tone at the top, and operational style is that breakdowns in these types of controls have historically led to fraudulent financial reporting. These are elements of what is often referred to as "soft controls" and play a critical role in shaping the corporate culture that governs employee behavior. When these controls are weak or improperly managed, they can contribute to an environment conducive to fraud. References: Studies and reports on corporate governance and internal controls, including research on fraud cases.

**NEW QUESTION: 271**

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**Answer: C (LEAVE A REPLY)**

According to IIA standards, if nonconformance with the Standards affects the internal audit activity's ability to fulfill its professional responsibilities or meet stakeholder expectations, the internal audit activity should disclose the nonconformance and its impact. This is essential for maintaining transparency and accountability, ensuring that all stakeholders are informed of the internal audit's effectiveness and areas needing improvement. References: IIA Standard 1322 - Disclosure of Nonconformance, which outlines requirements for disclosing the results of quality assurance and improvements, particularly concerning nonconformance.

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<https://www.dumptop.com/IIA/IIA-CIA-Part1-KR-dump.html> (756 Q&As Dumps, **30%OFF Special Discount: KrDump**)

**NEW QUESTION: 272**

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**Answer: D (LEAVE A REPLY)**

An internal auditor assigned to review an area for which they previously had operational responsibilities demonstrates an impairment to internal audit independence. This scenario presents a self-review threat, where the auditor might be biased, consciously or unconsciously, in their evaluation of controls and operations due to their previous involvement. References: IIA Standard 1130: Impairment to Independence or Objectivity.

**NEW QUESTION: 273**

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**Answer: B (LEAVE A REPLY)**

The appropriate role for the internal audit activity is assisting the organization in maintaining effective controls. The internal audit function provides an independent and objective assessment of whether the organization's risk management, control, and governance processes are adequate and functioning effectively. Implementing new controls or ensuring key risks are managed falls outside the typical scope of internal audit responsibilities, which are primarily advisory and evaluative, not operational. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 274**

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**Answer: (SHOW ANSWER)**

If it is a consulting engagement, the best action for the new internal auditor, who has recently transferred from being an accounts payable clerk, is to decline the assignment and ask to be reassigned. This is crucial to maintain objectivity and avoid conflicts of interest, as the auditor would be consulting on processes for which they were previously responsible. References: IIA Standards on Objectivity and Independence

**NEW QUESTION: 275**

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**Answer: B (LEAVE A REPLY)**

According to IIA guidance, any additional roles beyond traditional audit functions, such as being responsible for risk management and investigation, must be explicitly defined in the internal audit charter. This document, approved by senior management and the board, delineates the scope and responsibilities of the internal audit function, ensuring clarity and proper governance. Thus, if the internal audit charter stipulates such roles, it justifies the CEO's decision. References: IIA Standard 1000 - Purpose, Authority, and Responsibility

**NEW QUESTION: 276**

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**Answer: (SHOW ANSWER)**

According to IIA guidance, an appropriate role for the internal audit activity includes coaching management in responding to risks. This involves providing advice, facilitating workshops, and sharing best practices to help management identify, assess, and mitigate risks effectively. Internal auditors can offer insights and recommendations based on their evaluations but should not take on management responsibilities.

Implementing risk responses on management's behalf (B), imposing risk management processes (C), and setting the risk appetite (D) are not appropriate roles for internal auditors, as these activities fall within the purview of management. The internal audit function should maintain its independence and objectivity while supporting and enhancing the organization's risk management efforts.

References:

\* IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management

\* IIA Standard 2120: Risk Management

**NEW QUESTION: 277**

Electronic funds transfer (EFT) systems are vulnerable to which of the following?

- A. EFT systems are vulnerable to fraudulent accounting entries, such as those arising from overriding existing controls or exploiting security weaknesses.
- B. EFT systems are vulnerable to fraudulent accounting entries, such as those arising from overriding existing controls or exploiting security weaknesses.
- C. EFT systems are vulnerable to fraudulent accounting entries, such as those arising from overriding existing controls or exploiting security weaknesses.
- D. EFT systems are vulnerable to fraudulent accounting entries, such as those arising from overriding existing controls or exploiting security weaknesses.

**Answer: D (LEAVE A REPLY)**

Electronic funds transfer (EFT) makes use of numerous automated controls, which improve efficiency and reduce the risk of some types of fraud. However, it is still vulnerable to fraudulent accounting entries, such as those arising from overriding existing controls or exploiting security weaknesses. Therefore, while EFT systems incorporate significant controls, they do not completely eliminate the risk of fraud. References: Best practices and guidelines on electronic funds transfer from financial management and information systems security sources.

**NEW QUESTION: 278**

According to the IIA's Code of Ethics, internal auditors are responsible for maintaining their knowledge, skills, and other competencies at a level required to perform their professional responsibilities. Internal auditors should also pursue relevant professional development opportunities to enhance their ability to add value to the organization. Therefore, option C is the correct answer.

- A. The officer in charge of human resources, the chief audit executive, and the CEO may support or facilitate the internal auditor's professional development, but they are not ultimately responsible for it.
- B. The officer in charge of human resources, the chief audit executive, and the CEO may support or facilitate the internal auditor's professional development, but they are not ultimately responsible for it.
- C. The officer in charge of human resources, the chief audit executive, and the CEO may support or facilitate the internal auditor's professional development, but they are not ultimately responsible for it.
- D. CEO.

**Answer: (SHOW ANSWER)**

According to the IIA's Code of Ethics, internal auditors are responsible for maintaining their knowledge, skills, and other competencies at a level required to perform their professional responsibilities<sup>2</sup>. Internal auditors should also pursue relevant professional development opportunities to enhance their ability to add value to the organization<sup>3</sup>. Therefore, option C is the correct answer.

The other options are not correct. The officer in charge of human resources, the chief audit executive, and the CEO may support or facilitate the internal auditor's professional development, but they are not ultimately responsible for it<sup>4</sup>. The internal auditor has the primary accountability and obligation to maintain and improve their own competencies<sup>5</sup>.

**NEW QUESTION: 279**

Internal auditors should pursue relevant professional development opportunities to enhance their ability to add value to the organization. Therefore, option C is the correct answer.





Which of the following is the primary purpose of the internal audit charter?  
A. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
B. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
C. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
D. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.

- A. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
- B. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
- C. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
- D. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.

**Answer: B (LEAVE A REPLY)**

According to IIA guidance, the internal audit charter is a critical document that defines the purpose, authority, and responsibility of the internal audit activity. It is endorsed by the organization's governing body and establishes the internal audit function's position within the organization, including its reporting lines and access to records and personnel. To assess whether the independence of the internal audit activity is at risk of being compromised, reviewing the internal audit charter provides the best source of evidence. This document outlines the independence and objectivity of the internal audit function and specifies the reporting structure to senior management and the board, which are essential elements in safeguarding independence.

References:

- \* IIA Standard 1000: Purpose, Authority, and Responsibility
- \* IIA Practice Guide: Independence and Objectivity

**NEW QUESTION: 285**

Which of the following is the primary purpose of the internal audit charter?  
A. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
B. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
C. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
D. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.

- A. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
- B. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
- C. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.
- D. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.

**Answer: A (LEAVE A REPLY)**

The chief audit executive (CAE) taking on a consultative role can appropriately coordinate and facilitate risk workshops for management. This task aligns with the advisory function of internal audit, where they support and facilitate the risk management process without directly setting the risk appetite or determining risk mitigation strategies, thereby maintaining their advisory and facilitative role without assuming management responsibilities. References: International Standards for the Professional Practice of Internal Auditing; guidance on internal audit's role in consulting.

**NEW QUESTION: 286**

Which of the following is the primary purpose of the internal audit charter?  
A. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
B. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
C. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.  
D. To define the internal audit function's position within the organization, including its reporting lines and access to records and personnel.

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- C. □□.
- D. □□□.

**Answer: A (LEAVE A REPLY)**

The corporate social responsibility (CSR) strategy of accommodation is associated with responding to outside pressures by assuming additional responsibility. This strategy typically involves making adjustments and accepting responsibilities to address the concerns of external stakeholders, thereby fostering a positive relationship and enhancing the company's social license to operate. References: CSR strategies and responses in corporate governance literature

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**NEW QUESTION: 287**

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**Answer: B (LEAVE A REPLY)**

Performing an annual organization-wide employee survey is a proactive role for the internal audit activity with regard to the organization's ethics program. This survey can help assess the ethical climate, identify potential ethical issues, and gather employee perceptions and feedback. The results can be used to improve the ethics program, enhance training, and ensure that ethical standards are effectively communicated and upheld throughout the organization. References:

- \* The IIA's Practice Guide on Evaluating Ethics-Related Programs and Activities.
- \* The IIA's International Professional Practices Framework (IPPF) on Assessing Organizational Ethics.

**NEW QUESTION: 288**

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- A. Control activities are specific actions defined by management aimed at mitigating risk to the achievement of objectives. They are part of the broader internal control framework, which management designs according to the organization's risk management strategies. These activities can vary widely across different organizations depending on the specific risks they face and the strategies management employs to mitigate these risks.
- B. Control activities are specific actions defined by management aimed at mitigating risk to the achievement of objectives. They are part of the broader internal control framework, which management designs according to the organization's risk management strategies. These activities can vary widely across different organizations depending on the specific risks they face and the strategies management employs to mitigate these risks.
- C. Control activities are specific actions defined by management aimed at mitigating risk to the achievement of objectives. They are part of the broader internal control framework, which management designs according to the organization's risk management strategies. These activities can vary widely across different organizations depending on the specific risks they face and the strategies management employs to mitigate these risks.
- D. Control activities are specific actions defined by management aimed at mitigating risk to the achievement of objectives. They are part of the broader internal control framework, which management designs according to the organization's risk management strategies. These activities can vary widely across different organizations depending on the specific risks they face and the strategies management employs to mitigate these risks.

**Answer: A (LEAVE A REPLY)**

Control activities are specific actions defined by management aimed at mitigating risk to the achievement of objectives. They are part of the broader internal control framework, which management designs according to the organization's risk management strategies. These activities can vary widely across different organizations depending on the specific risks they face and the strategies management employs to mitigate these risks.

References: COSO Framework on Internal Controls

**NEW QUESTION: 289**

An internal auditor is engaged to audit the financial statements of a company. The auditor has identified a significant deficiency in the company's internal control system. The deficiency is related to the company's IT system, which is used to process financial data. The auditor has identified the deficiency as follows: The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data. The auditor has identified the deficiency as follows: The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data. The auditor has identified the deficiency as follows: The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data.

1. The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data.
2. The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data.
3. The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data.
4. The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data.

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

**Answer: (SHOW ANSWER)**

A legitimate response to the prospective client under these circumstances would be to decline the engagement due to lack of specific competencies or make arrangements to obtain assistance from a competent IT auditing expert. These options ensure that the internal audit activity maintains its professional competence and integrity by only undertaking engagements where they can provide or ensure the required level of expertise.

References: IIA standards on professional competence and due care, which stipulate that internal auditors must have or obtain the necessary knowledge and skills to perform their tasks effectively, and if not, they should decline the engagement or seek expert assistance.

**NEW QUESTION: 290**

An internal auditor is engaged to audit the financial statements of a company. The auditor has identified a significant deficiency in the company's internal control system. The deficiency is related to the company's IT system, which is used to process financial data. The auditor has identified the deficiency as follows: The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data. The auditor has identified the deficiency as follows: The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data. The auditor has identified the deficiency as follows: The company's IT system does not have adequate controls to ensure the accuracy and integrity of the financial data.

- A. The internal audit activity must align its activities with the organization's risks. Not considering high-risk development projects in the audit plan could indicate nonconformance with the Standards, specifically regarding risk-based planning. The Standards require internal audit to consider all significant risks when developing the audit plan, and failing to do so may require disclosure of nonconformance. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2010 - Planning, and Standard 1300 - Quality Assurance and Improvement Program.
- B. The internal audit activity must align its activities with the organization's risks. Not considering high-risk development projects in the audit plan could indicate nonconformance with the Standards, specifically regarding risk-based planning. The Standards require internal audit to consider all significant risks when developing the audit plan, and failing to do so may require disclosure of nonconformance. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2010 - Planning, and Standard 1300 - Quality Assurance and Improvement Program.
- C. The internal audit activity must align its activities with the organization's risks. Not considering high-risk development projects in the audit plan could indicate nonconformance with the Standards, specifically regarding risk-based planning. The Standards require internal audit to consider all significant risks when developing the audit plan, and failing to do so may require disclosure of nonconformance. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2010 - Planning, and Standard 1300 - Quality Assurance and Improvement Program.
- D. The internal audit activity must align its activities with the organization's risks. Not considering high-risk development projects in the audit plan could indicate nonconformance with the Standards, specifically regarding risk-based planning. The Standards require internal audit to consider all significant risks when developing the audit plan, and failing to do so may require disclosure of nonconformance. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2010 - Planning, and Standard 1300 - Quality Assurance and Improvement Program.

**Answer: (SHOW ANSWER)**

The internal audit activity must align its activities with the organization's risks. Not considering high-risk development projects in the audit plan could indicate nonconformance with the Standards, specifically regarding risk-based planning. The Standards require internal audit to consider all significant risks when developing the audit plan, and failing to do so may require disclosure of nonconformance. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2010 - Planning, and Standard 1300 - Quality Assurance and Improvement Program.

**NEW QUESTION: 291**

The best course of action when the internal audit activity lacks the necessary knowledge for a planned audit is to Provide data backup training to the engagement supervisor. This option ensures that the audit team builds the required competencies internally, enhancing their ability to perform the audit effectively.

- A. Postponing the audit might delay identifying critical issues.
- B. Recruiting a full-time staff auditor is not a practical immediate solution and could be resource-intensive.
- C. Changing to a consulting engagement does not solve the knowledge gap for future audits.
- D. Providing training aligns with the IIA Standard 1210.A1, which requires internal auditors to possess the knowledge, skills, and other competencies needed to perform their responsibilities.

**Answer: (SHOW ANSWER)**

The best course of action when the internal audit activity lacks the necessary knowledge for a planned audit is to Provide data backup training to the engagement supervisor. This option ensures that the audit team builds the required competencies internally, enhancing their ability to perform the audit effectively.

- \* Option A: Postponing the audit might delay identifying critical issues.
- \* Option B: Recruiting a full-time staff auditor is not a practical immediate solution and could be resource-intensive.
- \* Option C: Changing to a consulting engagement does not solve the knowledge gap for future audits.

Providing training aligns with the IIA Standard 1210.A1, which requires internal auditors to possess the knowledge, skills, and other competencies needed to perform their responsibilities.

References:

- \* IIA Standard 1210: Proficiency and Due Professional Care.
- \* IIA Standard 1230: Continuing Professional Development.

**NEW QUESTION: 292**

Which of the following is NOT a component of the IIA's Mission of Internal Audit?

- A. Add value and improve an organization's operations through a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- B. Provide professional advisory and assurance services.
- C. Evaluate and improve the effectiveness of risk management, control, and governance processes.
- D. Add value and improve an organization's operations through a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

**Answer: (SHOW ANSWER)**

The Mission of Internal Audit emphasizes the provision of professional advisory and assurance services. This mission statement highlights that internal auditing is designed to add value and improve an organization's operations through a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. References: The IIA's Mission of Internal Audit, which clearly outlines the core purpose and focus of internal auditing activities.

**NEW QUESTION: 293**

Which of the following is a violation of the IIA's standards regarding internal audit independence?

- A. The CAE reports to the CEO.
- B. The CAE reports to the Risk Manager.
- C. The CAE reports to the Audit Committee.
- D. The CAE reports to the Board of Directors.

**Answer: C (LEAVE A REPLY)**

This scenario violates The IIA's standards regarding internal audit independence because the chief risk officer's involvement in validating and dictating which audit findings are included in the audit committee reports undermines the independence of the internal audit activity. Independence is compromised when audit findings are subject to alteration or selection by another party within the organization, particularly one involved in managing risks that the audit may be assessing. References: The IIA's International Standards for the Professional Practice of Internal Auditing, specifically standards related to independence.

**NEW QUESTION: 294**

Which of the following is a violation of the IIA's standards regarding internal audit independence?

- A. The CAE reports to the Board of Directors.

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**Answer: C (LEAVE A REPLY)**

To maintain objectivity and independence, the new internal auditor, who was recently a senior supervisor in the accounts payable department, should not be assigned to an audit engagement in the same area. The IIA standards emphasize the need to avoid actual or perceived conflicts of interest, especially when auditors have recently transferred from or held responsibilities in the areas they audit.

**NEW QUESTION: 295**

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**Answer: D (LEAVE A REPLY)**

By declining the offer of expensive tickets from the manager of an area currently being audited, the internal auditor demonstrated objectivity. Objectivity is a fundamental principle of the IIA Code of Ethics, which requires auditors to make unbiased and impartial judgments during their audits. Accepting gifts could compromise the auditor's ability to remain impartial, thereby affecting their objectivity. References: IIA Code of Ethics.

**NEW QUESTION: 296**

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**Answer: D (LEAVE A REPLY)**

According to the IIA's guidelines, the internal audit charter should clearly define the internal audit activity's position within the organization. This is essential to establish the authority and scope of the internal audit function, ensuring that it has the necessary independence and resources to fulfill its duties effectively.

References: The Institute of Internal Auditors (IIA) guidelines on internal audit charter.

**NEW QUESTION: 297**

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**Answer: D (LEAVE A REPLY)**

After a potential fraud instance is identified and a lead investigator is appointed, the most likely next step is to determine the competencies needed for the investigation team and assess whether any team members have a conflict of interest. This step ensures that the investigation is conducted by appropriately skilled and unbiased personnel, which is crucial for maintaining the integrity and effectiveness of the investigation process.

References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Practice Guide: Assessing Fraud Risks

**NEW QUESTION: 298**

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**Answer: (SHOW ANSWER)**

This indicator suggests that the organization's ethics program might not be well-developed if the responsibility for communicating ethics compliance is decentralized to the level of employees' direct managers without broader oversight or structured programs. Effective ethics programs typically involve centralized communication strategies that ensure consistency and comprehensiveness across the organization.

References: Institute of Internal Auditors (IIA) - Guidance on Developing an Ethics Program

**NEW QUESTION: 299**

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**Answer: B (LEAVE A REPLY)**

In this scenario, the auditors have tested preventive controls. Preventive controls are designed to deter unwanted events before they occur. The mandatory training on taxation guidelines for finance department employees is a preventive measure, as it aims to prevent errors or violations in taxation processes by ensuring all employees are well informed and compliant from the start. The automation of training assignment further supports the preventive nature of this control. References:

\* IIA guidance on types of controls

**NEW QUESTION: 300**

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**Answer: (SHOW ANSWER)**

Business ethics can vary within organizations that operate across multiple regions, as they must often consider local cultural norms and regulations. The IIA recognizes the need for flexibility in ethical policies for multinational organizations, while still adhering to fundamental ethical principles.

**NEW QUESTION: 301**

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**Answer: (SHOW ANSWER)**

The internal audit activity can promote continuous improvement of organizational controls by facilitating control self-assessment (CSA) sessions. These sessions involve managers and staff in evaluating the effectiveness of controls within their areas of responsibility. This approach not only promotes ownership of controls among process owners but also helps identify areas for improvement and fosters a culture of continuous improvement. By engaging managers in these assessments, internal auditors can help ensure that controls are understood, effective, and continually refined based on feedback and changes in the risk environment.

References:

- \* IIA Practice Guide: Control Self-Assessment
- \* IIA Standard 2130: Control



management, regulators, customers, and the public<sup>3</sup>. Sustainability disclosure is evolving around the world, as more companies adopt ESG and CSR frameworks and standards, and more stakeholders demand greater transparency and accountability on sustainability issues<sup>4</sup>.

References:

1: 3 paradigm shifts in corporate sustainability to new era of ESG 2: What is the difference between CSR and ESG? 3: Environment, Social and Governance (ESG) 4: ESG vs. CSR: Key Differences & What Businesses Need to Know

**NEW QUESTION: 304**

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**Answer: B (LEAVE A REPLY)**

In a scenario where substantial bonuses are tied to meeting financial targets, the most likely motivator to potentially commit fraud is "Pressure." The incentive structure creates a high-pressure environment for employees to meet financial targets, potentially encouraging unethical behavior to achieve these goals to receive bonuses. References: Fraud risk factors as outlined by auditing standards such as those from the AICPA or IIA

**NEW QUESTION: 305**

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**Answer: (SHOW ANSWER)**

To promote the independence of the internal audit activity, it is required that the chief audit executive reports functionally to the board. This structural alignment helps ensure that the internal audit function is not unduly influenced by management, which might be the subject of audits, and can freely report on its findings and recommendations without fear of reprisal. References: The IIA's International Standards for the Professional Practice of Internal Auditing on independence and objectivity.

**NEW QUESTION: 306**

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**Answer: B (LEAVE A REPLY)**

According to IIA guidance, the internal audit charter gives the internal audit activity the authority to request supporting documentation for the invoices of a third-party service provider. The charter typically outlines the scope, authority, and responsibilities of the internal audit activity, including access to records necessary to carry out its duties. References: IIA Standards on the internal audit charter.

**NEW QUESTION: 307**

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**Answer: B (LEAVE A REPLY)**

If the recommendations made by the internal audit activity regarding the organization's risk management function remain unaddressed, the next step should be for the chief audit executive (CAE) to discuss this matter with senior management and the board. This discussion aims to ensure that senior leaders are aware of the unaddressed risks and can take necessary actions to address the internal audit's findings effectively.

References: The IIA's International Standards for the Professional Practice of Internal Auditing, which stipulate the CAE's responsibilities in communicating significant risk exposures and control issues to senior management and the board.

**NEW QUESTION: 308**

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**Answer: B (LEAVE A REPLY)**

An increase in nonroutine journal entries is a classic red flag for potential fraud, as such entries may be used to adjust financials inappropriately. IIA guidance identifies unusual patterns in financial transactions as significant indicators of potential fraud risks.

**NEW QUESTION: 309**

Which of the following is a key objective of the internal audit charter?

- A. To define the internal audit function's objectives and scope.
- B. To define the internal audit function's reporting structure.
- C. To define the internal audit function's organizational structure.
- D. To define the internal audit function's terms of reference, including the scope of consulting services.

**Answer: B (LEAVE A REPLY)**

According to IIA standards, the nature of consulting services to be performed by internal auditors must be defined in the internal audit charter. This helps ensure clarity and alignment between the internal audit activity's objectives and the organization's expectations, while also providing a framework that guides the consulting services provided by internal auditors. References: IIA Standard 1000 - Purpose, Authority, and Responsibility, which includes guidelines on the content of the internal audit charter, including the scope of consulting services.

**NEW QUESTION: 310**

Which of the following is a key objective of the risk and control model?

- A. To identify the organization's risks and controls.
- B. To identify the organization's risks and control objectives.
- C. To identify the organization's risks and control activities.
- D. To identify the organization's risks and control environment.

**Answer: C (LEAVE A REPLY)**

Developing a risk and control model for an engagement should take into account the specific characteristics, processes, and risks of the organization being audited. Tailoring the model ensures that the controls are relevant and effective for the specific context of the organization, leading to a more accurate and useful audit outcome. References:

\* IIA's International Professional Practices Framework (IPPF), particularly on risk-based auditing and control frameworks.

**NEW QUESTION: 311**

Which of the following is a key objective of the internal audit charter?

- A. To define the internal audit function's objectives and scope.
- B. To define the internal audit function's reporting structure.
- C. To define the internal audit function's organizational structure.
- D. To define the internal audit function's terms of reference, including the scope of consulting services.

**Answer: B (LEAVE A REPLY)**



\* IIA Practice Guide: "Fraud Prevention and Detection in an Automated World":  
Emphasizes the use of analytical techniques for identifying potential fraud.

**NEW QUESTION: 314**

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**Answer: (SHOW ANSWER)**

An example of the chief audit executive (CAE) demonstrating due professional care is by assessing the audit staff's knowledge and skills annually to determine whether additional resources are needed to fulfill the internal audit plan. This practice ensures that the internal audit team is adequately equipped in terms of skills and competencies to meet the organization's audit needs effectively and professionally. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 315**

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**Answer: A (LEAVE A REPLY)**

Organizational independence of the internal audit activity is best demonstrated when the CAE reports functionally to the highest levels within the organization, such as the CEO or directly to the board. Functional reporting involves matters such as audit plans, frequencies, reporting, and budgeting, and it is crucial for ensuring that the internal audit function has the necessary authority and independence from management, which could influence their activities. References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing Top of Form

**NEW QUESTION: 316**

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Answer: (SHOW ANSWER)

Input controls are designed to ensure the accuracy, completeness, and validity of data entered into a business application. These controls can include validation checks, input masks, and error detection methods that verify data at the point of entry. Whether data is entered directly by staff, remotely by business partners, or through web-enabled applications, input controls help maintain the integrity of the data by preventing errors and unauthorized input. These controls are crucial in maintaining data quality and integrity in any business application. References:

\* The IIA's Global Technology Audit Guide (GTAG) on Information Technology Controls.

\* COBIT 5 Framework on Information and Technology Governance.

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**NEW QUESTION: 317**

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Answer: B (LEAVE A REPLY)

IIA standards state that independence is impaired if a CAE audits an area over which they have oversight responsibilities, as this creates a conflict of interest. The CAE's dual role compromises objectivity, a key requirement for effective internal auditing.

**NEW QUESTION: 318**

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Answer: B (LEAVE A REPLY)

An indicator that an organization's risk management processes are effective is that organization-wide mechanisms exist to enable the identification and assessment of all significant risks. This approach ensures that risks are managed on an enterprise-wide basis, aligning risk management strategies with the organization's objectives and promoting a comprehensive understanding and management of risks throughout the entity. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Risk Management in Practice

**NEW QUESTION: 319**

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**Answer: C (LEAVE A REPLY)**

An example of impairment to internal auditor independence or objectivity is when internal auditors provide consulting services relating to operations for which they have current responsibilities. This creates a direct conflict of interest as the auditor is assessing parts of the organization for which they are responsible, potentially compromising their ability to remain objective and unbiased. References: The IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing, particularly standards related to objectivity and independence.

**NEW QUESTION: 320**

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**Answer: C (LEAVE A REPLY)**

The best example of a risk appetite statement concerning an investment portfolio is one that explicitly states a tolerance level for investment earnings volatility, such as "We have a moderate tolerance for investment earnings volatility with a target value at risk of \$50 million." This statement directly addresses the organization's willingness to accept risk and quantifies it, which is characteristic of effective risk appetite statements. References: IIA

best practices on defining risk appetite, which recommend quantifying risk tolerance in financial terms to guide strategic decision-making.

**NEW QUESTION: 321**

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**Answer: B (LEAVE A REPLY)**

According to IIA guidance, the primary reason the chief audit executive discusses the internal audit charter with senior management and the board is to provide an understanding of the Mission of Internal Audit and The IIA's mandatory guidance elements. The charter defines the purpose, authority, and responsibility of the internal audit activity, aligning it with the organization's objectives and governance. References: The IIA's International Professional Practices Framework (IPPF) particularly emphasizes the importance of the internal audit charter as a foundational document.

**NEW QUESTION: 322**

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**Answer: D (LEAVE A REPLY)**

The statement that a report, including the results of both internal and external assessments, must be provided to the board annually is true regarding the reporting of results of the quality assurance and improvement program (QAIP) to senior management and the board. Regular reporting of QAIP results ensures that the board is continually informed about the effectiveness and conformance of the internal audit activity with established standards and practices. References: Institute of Internal Auditors (IIA) - Standard 1320 - Reporting on the Quality Assurance and Improvement Program

**NEW QUESTION: 323**

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**Answer: (SHOW ANSWER)**

The most appropriate course of action for the CAE when facing a lack of internal audit staff with necessary skills to audit a high-risk area, like the engineering department, is to supplement the internal audit team with external experts who possess the required competencies. This approach ensures that the audit can be conducted effectively and comprehensively, allowing for an accurate assessment of risks and controls in the engineering department without delaying the review until new auditors can be hired and trained.

References:  
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 324**

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**Answer: A (LEAVE A REPLY)**

A uniform professional development plan ensures that all internal auditors receive consistent and adequate training and continuing education. This approach helps to maintain a high standard of proficiency and competence within the internal audit activity.

References:

\* IIA Standard 1230 - Continuing Professional Development.

\* IIA Practice Guide on Developing a Professional Development Program.

**NEW QUESTION: 325**

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**Answer: (SHOW ANSWER)**

The risk management technique described by finding a local partner to manage sales and distribution in a new, volatile region is best characterized as "Sharing." This approach involves sharing the risk with another party that can better manage or absorb part of the risk, thus reducing the organization's direct exposure to potential adverse outcomes. References: Risk management literature and practices, including frameworks such as ISO 31000.

**NEW QUESTION: 326**

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**Answer: D (LEAVE A REPLY)**

In situations where the internal audit activity lacks specific financial accounting knowledge for certain audit projects, implementing a guest auditor program is a strategic approach. This program allows the organization to bring in external experts or auditors with specialized knowledge on a temporary basis to address the specific needs of the audit. This approach provides the required expertise without the long-term commitment of a full-time hire, ensuring flexibility and immediate enhancement of the audit team's capabilities.

References:

- \* The IIA Standards: Standard 1210 - Proficiency: "Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities."
- \* IIA Practice Guide: "Guest Auditor Programs": Discusses the benefits of bringing in external experts for specialized audit needs.

**NEW QUESTION: 327**

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**Answer: (SHOW ANSWER)**

The most appropriate action for an internal auditor who realizes that she has undertaken limited training and professional development is to accept responsibility for her own continuing professional development, develop a professional plan, and discuss it with the CAE. This proactive approach ensures that she meets the ongoing professional development requirements, aligns her training needs with the objectives of the internal audit activity, and maintains the necessary competencies to perform effectively in her role. References:

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

### NEW QUESTION: 328

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**Answer: D (LEAVE A REPLY)**

In an organizational culture characterized by fear and blame, where employees are frequently penalized for mistakes, internal auditors are most likely to find low employee morale. Such an environment can lead to a lack of trust and motivation among employees, reducing their willingness to take initiative or innovate. Low morale can negatively impact productivity, increase turnover, and contribute to a toxic workplace culture.

Recognizing these signs is crucial for internal auditors when assessing the effectiveness of the organization's control environment and overall governance.

References:

\* The IIA Standards: Standard 2120 - Risk Management: "The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes."

\* COSO Framework: Emphasizes the importance of a positive control environment and its impact on employee behavior and organizational performance.

### NEW QUESTION: 329

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**Answer: (SHOW ANSWER)**

According to the Standards, the risk register should include information about identified risks and how these are being managed. Management's acceptance of inadequate controls for a significant risk such as cybersecurity should be documented as it represents a known risk exposure that the organization has chosen to accept. This helps ensure transparency and informs subsequent audit activities and decisions. References: International Standards for the Professional Practice of Internal Auditing, specifically on risk assessment and management.

**NEW QUESTION: 330**

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**Answer: C (LEAVE A REPLY)**

The chief audit executive is required to disclose any potential conflicts of interest of the assessment team in the communication of quality assessment results to senior management and the board. This disclosure is crucial to maintain the credibility and integrity of the quality assessment process, ensuring that the results are viewed as objective and reliable. References: IIA Standard on Quality Assurance and Improvement Program

**NEW QUESTION: 331**

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**Answer: C (LEAVE A REPLY)**

According to the International Standards for the Professional Practice of Internal Auditing, the internal audit activity must have a quality assurance and improvement program that covers all aspects of the internal audit activity. This program should include both internal and external assessments. The chief audit executive must report the results of the quality assurance and improvement program to senior management and the board, including the frequency of quality assessments. This ensures that the board is aware of how often quality assessments are conducted, ensuring continuous improvement and adherence to





refunds and voids are legitimately and appropriately authorized, thereby reducing the likelihood of fraudulent activities. References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

**NEW QUESTION: 336**

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**Answer: B (LEAVE A REPLY)**

It is critical for new internal auditors to possess the competency to apply data analytics methods in internal auditing. This involves not just understanding or describing these methods, but actively utilizing them to enhance the planning and performance of internal audit engagements, thereby ensuring these engagements conform to the Standards. References: The IIA's competency framework for internal auditors, which emphasizes the application of data analytics in audit practices.

**NEW QUESTION: 337**

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**Answer: D (LEAVE A REPLY)**

If a new internal auditor suspects fraud, the appropriate action is to document supporting information and recommend an investigation to the appropriate audit management, such as the chief audit executive (CAE).

This approach maintains the auditor's objectivity and ensures that suspicions of fraud are handled by following the proper channels and procedures established within the organization for such matters. References:

IIA guidance on fraud and the auditor's role in fraud detection, which emphasizes the importance of documenting evidence and escalating fraud concerns through proper management channels.

**NEW QUESTION: 338**

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According to the IIA's guidance on independence and objectivity, an internal auditor who has been transferred from another department should not audit any function or process of their former department until a reasonable period has passed, typically around one year. Participating in such projects or audits could impair their objectivity because of familiarity or bias related to their former role and relationships within the department. In this case, providing an opinion on a project related to their former department could impair objectivity due to potential conflicts of interest. References: The Institute of Internal Auditors (IIA) - Standards for Objectivity

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