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NEW QUESTION: 1
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Answer: (SHOW ANSWER)
A low percentage of employees feeling confident in raising concerns without fear of retaliation indicates a potential ethics issue within the organization. It suggests that the company might have a culture that does not adequately protect whistleblowers, which can lead to ethical lapses and noncompliance with laws and regulations. References:
* IIA guidance on ethics and whistleblower protection.
* COSO Framework on organizational culture and ethics.

NEW QUESTION: 2
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Answer: A (LEAVE A REPLY)
Reporting functionally to the CEO can promote internal audit objectivity. This arrangement helps ensure that the Chief Audit Executive (CAE) has the necessary independence from the areas being audited and sufficient authority to carry out audit responsibilities

effectively. While ideally, the CAE should report functionally to the board for maximum objectivity, reporting to the CEO is a common practice that supports operational independence from direct operational management, such as the CFO or COO.
IIA guidance on reporting lines and independence.

NEW QUESTION: 3
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Answer: B (LEAVE A REPLY)
When assessing fraud risks, internal auditors should first consider any prior fraud investigations related to the engagement. This approach helps in understanding the historical context of fraud within the organization and identifying patterns or recurring issues that need attention. Reviewing prior investigations (Option B) is a foundational step as it provides a basis for understanding past incidents and informs the assessment of current fraud risks. This is in line with the guidance provided by the IIA, which emphasizes understanding the history of fraud as a critical part of the risk assessment process.
IIA Practice Guide: Internal Auditing and Fraud
IIA Standards, Standard 1210.A2: Internal auditors must have sufficient knowledge to evaluate the risk of fraud

NEW QUESTION: 4
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Answer: D (LEAVE A REPLY)
According to IIA guidance on mentoring programs, there is no requirement for a mentor to be in a higher organizational position than the mentee. The focus is on the value of diverse mentoring relationships, which can include auditors at the same level having different mentors or some auditors having no mentor at all. This approach allows for flexibility in the mentoring process and ensures that professional development needs are met effectively without strict hierarchical constraints.
The Institute of Internal Auditors (IIA) - Guidance on mentoring programs

NEW QUESTION: 5

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Answer: D (LEAVE A REPLY)

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.

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: 6

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Answer: B (LEAVE A REPLY)

Intentionally leaving out material observations from the audit report clearly indicates a compromise in the independence of the internal audit. Independence is fundamental to the credibility of the audit function, and any actions that suggest altering audit reports to omit significant findings undermine this principle. Such behavior may suggest an effort to avoid conflict or negative reactions from management, directly impacting the objectivity and integrity of the audit results.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 7

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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.
The Institute of Internal Auditors (IIA) guidance on assessing and managing fraud risks and organizational culture.

NEW QUESTION: 8
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Answer: A (LEAVE A REPLY)

NEW QUESTION: 9
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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.
IIA standards on assessing professional competencies and continuing education.

NEW QUESTION: 10
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Answer: D (LEAVE A REPLY)

The board of directors should play a leading role in overseeing the ethical atmosphere of an organization. As the highest governance body, the board has the ultimate responsibility for setting the organization's tone at the top, including its ethical culture and practices. This responsibility includes overseeing senior management to ensure that ethical policies and practices are developed, communicated, and enforced throughout the organization.
IIA guidance on governance and ethical oversight.

NEW QUESTION: 11
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Answer: D (LEAVE A REPLY)
According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the control environment is the most important component of internal control. The control environment sets the tone of the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. A strong control environment is essential for effective internal control as it includes elements such as integrity, ethical values, management's operating style, and the assignment of authority and responsibility.
COSO Framework: Emphasizes the importance of the control environment as the foundation for all other components of internal control.
The IIA Standards: Standard 2120 - Risk Management: " The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. "

NEW QUESTION: 12
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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: 13

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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.

The Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 14

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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.

IIA Standard 1000 - Purpose, Authority, and Responsibility

NEW QUESTION: 15
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Answer: (SHOW ANSWER)
A budget is an example of a management control technique. It is used by management to plan for, monitor, and control the financial resources of the organization, ensuring that spending aligns with the organization ' s strategic objectives and financial constraints.
Management control systems and techniques in organizational management literature.

NEW QUESTION: 16
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Answer: (SHOW ANSWER)
If the engagement supervisor accepts an expensive gift from management after the issuance of a final audit report, it violates The IIA ' s Code of Ethics principle of objectivity.
Objectivity requires auditors to maintain an unbiased mental attitude and avoid conflicts of interest or unduly influenced behaviors. Accepting gifts can compromise the perceived or actual independence of the auditor, influencing decisions or outcomes of audits in favor of the gift giver.
The IIA ' s Code of Ethics on Objectivity.

NEW QUESTION: 17
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Answer: (SHOW ANSWER)

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.
IIA Standards regarding objectivity and conflicts of interest.

NEW QUESTION: 18

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Answer: D (LEAVE A REPLY)

The ultimate goal of establishing a robust risk management framework in an organization is to facilitate the achievement of the organization ' s business goals and objectives. A comprehensive risk management framework helps identify, assess, and mitigate risks that could impede the organization ' s ability to achieve its strategic objectives, ensuring that risks are managed in a way that supports the organization ' s overall mission and goals.
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 that the purpose of risk management is to help organizations achieve their objectives and enhance performance through effective risk management practices.

NEW QUESTION: 19

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Answer: C (LEAVE A REPLY)

During interviews, it is crucial for internal auditors to demonstrate active listening and engagement with the interviewee to gather comprehensive and accurate information. Expressing interest by asking follow-up questions is an effective way to clarify and delve deeper into responses, ensuring a thorough understanding of the topics discussed. This approach not only helps in collecting valuable data but also in building rapport and trust with interviewees.

The Institute of Internal Auditors (IIA) - Practice Advisories on Effective Interviewing Techniques

NEW QUESTION: 20

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Answer: (SHOW ANSWER)

In a consulting engagement regarding a debt collections process, an internal auditor would primarily focus on advising management on streamlining the recording of accounts receivable. This action aims to add value by providing expert advice to improve the efficiency and effectiveness of the process, consistent with the IIA's guidelines on the role of internal auditors in consulting activities.

IIA Standard 1000 - Purpose, Authority, and Responsibility

NEW QUESTION: 21

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Answer: D (LEAVE A REPLY)

The true statement with regard to the quality assurance and improvement program (QAIP) is that the internal audit activity needs to assess whether each engagement on the annual internal audit plan is conducted in conformance with the Standards. This assessment is

part of the ongoing monitoring of the internal audit activity's performance, ensuring adherence to the IIA's Standards for the Professional Practice of Internal Auditing.
The IIA's International Standards for the Professional Practice of Internal Auditing, specifically those pertaining to quality assurance and improvement.

NEW QUESTION: 22
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Answer: (SHOW ANSWER)
Evaluating the effectiveness of an organization ' s risk assessment activity involves multiple strategies to ensure a comprehensive review. Interviewing staff at various levels (Strategy 1) helps understand the organization ' s objectives, significant risks, and risk appetite. Reviewing board meeting minutes (Strategy 2) determines whether significant risks are communicated timely to the board. Evaluating the adequacy and timeliness of management remediation actions (Strategy 3) ensures that risks are being effectively managed.
Together, these strategies (Option B) provide a robust framework for assessing the effectiveness of the organization ' s risk assessment activities.
IIA Practice Guide: Assessing the Adequacy of Risk Management Using ISO 31000 IIA Standards, Standard 2120: Risk Management

NEW QUESTION: 23
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Answer: ([SHOW ANSWER]())
Demonstrating due professional care involves thorough testing and evaluation of evidence. The internal auditor exhibited due professional care by selecting a sample of purchase orders above a specific threshold and obtaining documentation for each to verify compliance with the required bidding process. This methodical approach ensures that audit findings are based on sufficient, appropriate evidence and that conclusions about the effectiveness of controls are well-supported.
International Standards for the Professional Practice of Internal Auditing, particularly those related to due professional care and evidence evaluation.

NEW QUESTION: 24
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Answer: ([SHOW ANSWER]())
The inclusion of a clause in each engagement report stating that the engagement conforms with the International Standards for the Professional Practice of Internal Auditing is justified if the internal audit activity ' s policies and engagement records provide relevant, sufficient, and competent evidence that this statement is correct. This indicates that the internal audit activity consistently applies the standards in its engagements and the quality assurance and improvement program effectively monitors and ensures this conformance.
IIA Standard 1300: " Quality Assurance and Improvement Program "

NEW QUESTION: 25
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Answer: B (LEAVE A REPLY)

If fraud is suspected, it is crucial to follow the organization's protocol for reporting such suspicions. The chief audit executive should be informed so that appropriate steps can be taken, including involving fraud investigators if necessary. References:

* IIA Standard 1210.A2: Internal auditors must have sufficient knowledge to identify indicators of fraud.
* IIA Practice Guide: Internal Auditing and Fraud.

NEW QUESTION: 26

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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.

The Institute of Internal Auditors (IIA) - Guidance on Risk Management, ISO 31000 Risk Management Guidelines.

NEW QUESTION: 27

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Answer: (SHOW ANSWER)

According to IIA guidance, the practice by the chief audit executive (CAE) that best enhances the organizational independence of the internal audit activity is meeting privately with the board at least annually.
This practice ensures that the internal audit activity can operate independently of management and directly report and discuss significant matters with the board, which is critical for maintaining its independence and objectivity.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 28
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Answer: (SHOW ANSWER)
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.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 29
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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.
The Institute of Internal Auditors (IIA) - Code of Ethics.

NEW QUESTION: 30

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Answer: (SHOW ANSWER)
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.
Guidelines on fraud reporting from the Institute of Internal Auditors

NEW QUESTION: 31
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Answer: D (LEAVE A REPLY)
Demonstrating competencies in professional judgment and conflict management involves engaging in dialogue to understand differing viewpoints and resolve disagreements. By meeting with management to discuss their concerns, the auditor shows a commitment to understanding the issues and working collaboratively to address any misunderstandings or disagreements, which is a critical aspect of effective audit practice.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing and Practice Advisories on Conflict Resolution

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Answer: A (LEAVE A REPLY)
According to IIA guidance, business ethics may indeed vary within an organization with both domestic and foreign operations. This variation is due to differing cultural norms, legal requirements, and business practices across countries, which may necessitate adaptations in ethical policies and practices. While the core principles of ethics might be universally upheld, their application can differ based on local contexts.
Institute of Internal Auditors (IIA) - Code of Ethics, International Professional Practices Framework (IPPF)

NEW QUESTION: 33
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Answer: (SHOW ANSWER)
Setting unrealistic targets for staff to achieve is a potential red flag indicating that there may be fraudulent activities occurring within the organization. When senior management sets targets that are unattainable, it can create pressure on employees to engage in unethical or fraudulent behavior to meet these goals. This is one of the elements of the fraud triangle (pressure, opportunity, and rationalization) that can lead to fraudulent activities.
IIA Practice Guide: Fraud and Internal Audit
COSO Fraud Risk Management Guide

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Answer: D (LEAVE A REPLY)
The primary purpose of The IIA's Code of Ethics is to establish principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. The Code of Ethics sets out the ethical principles that guide the professional and personal conduct of internal auditors, promoting an ethical culture within the profession. References: Institute of Internal Auditors (IIA) - Code of Ethics

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Answer: B (LEAVE A REPLY)
An internal auditor would expect to find a statement of the organization ' s values, reflecting its attitude toward risk, within an organization's internal control framework. This statement helps set the tone at the top regarding the importance of control and the approach to risk management, which is fundamental for guiding the behavior and decision-making within the organization. References: Committee of Sponsoring Organizations of the Treadway Commission (COSO) - Internal Control Framework`1

NEW QUESTION: 36
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Answer: B (LEAVE A REPLY)
Segregation of duties is a preventive control designed to mitigate fraud by ensuring that no single individual has control over all phases of a financial transaction. This control reduces the risk of errors and fraud by requiring the involvement of multiple people in tasks such as authorization, custody of assets, and record- keeping.
Institute of Internal Auditors (IIA) - Practice Advisories on Fraud Prevention and Control

NEW QUESTION: 37
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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.
Governance and risk management literature, including studies and guidance on compensation structures and their impact on organizational behavior and risk.

NEW QUESTION: 38
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Answer: (SHOW ANSWER)
An impairment to independence occurs when the CAE ' s supervisor is responsible for functions that the CAE may need to audit. This dual responsibility can create a conflict of interest and impact the objectivity of the internal audit activity. References:
* IIA Standard 1110: Organizational Independence.
* IIA Practice Guide: Independence and Objectivity.

NEW QUESTION: 39
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Answer: (SHOW ANSWER)
The Mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. 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.

NEW QUESTION: 40
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Answer: A (LEAVE A REPLY)
Due professional care involves the exercise of professional judgment and the application of care that an ordinarily prudent person would use under the circumstances. In scenario A, the chief audit executive demonstrates due professional care by excluding an auditor who previously worked in the payroll department from the audit team assigned to audit that area. This action avoids conflicts of interest and ensures the objectivity of the audit, aligning with IIA guidelines on independence and objectivity in internal auditing.
IIA Standard 1100: " Independence and Objectivity "

NEW QUESTION: 41
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Answer: (SHOW ANSWER)
In developing a formal internal control framework, globally accepted frameworks such as COSO or COBIT emphasize the importance of organization-wide objectives. These objectives provide a foundation for aligning internal controls with the organization's goals, ensuring comprehensive coverage and relevance of the control framework.
* Option A: Independent assessments are part of the assurance process but not the foundation of the framework.
* Option B: Continuous monitoring is a control activity within the framework.
* Option C: Business continuity and backups are specific control activities but not foundational elements of the framework.
COSO Internal Control - Integrated Framework.
COBIT Framework for IT Governance and Control.

NEW QUESTION: 42

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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.

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

NEW QUESTION: 43

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Answer: A (LEAVE A REPLY)

According to IIA standards, the Chief Audit Executive (CAE) is responsible for confirming to the board, at least annually, the organizational independence of the internal audit activity. This is crucial for maintaining the effectiveness of the audit function and ensuring

that it operates without undue influence from management, thereby allowing the board to trust in the impartiality and efficacy of the audit reports.
IIA Standard 1110.A1: "Organizational Independence"

NEW QUESTION: 44
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Answer: C (LEAVE A REPLY)
Assessing soft controls can help internal auditors in undertaking root-cause analysis because soft controls, such as corporate culture and employee behavior, often provide insights into the underlying causes of observed deficiencies. By evaluating these soft controls, auditors can identify why certain hard controls may be failing and what might be influencing employee actions and attitudes, thus facilitating a more effective audit.
The Institute of Internal Auditors (IIA) guidance on behavioral and cultural audits and risk management practices.

NEW QUESTION: 45
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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.
The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 46

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Answer: A (LEAVE A REPLY)

When using the auditing-by-element approach to audit controls around corporate social responsibility (CSR), working conditions would be a relevant element for the internal audit activity to consider. This element is directly related to the social aspect of CSR, which focuses on the welfare and rights of employees within the organization.

IIA guidance on auditing corporate social responsibility initiatives.

NEW QUESTION: 47

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Answer: (SHOW ANSWER)

The most suitable approach for an organization with limited resources to spend on corporate social responsibility (CSR) initiatives is to select initiatives that support the overall strategic goals of the organization. Aligning CSR initiatives with the organization ' s strategic goals ensures that resources are used effectively and contribute to long-term value creation. This approach helps in enhancing the organization ' s reputation, stakeholder engagement, and competitive advantage by focusing on areas where the organization can make the most significant impact in alignment with its mission and values. The IIA Standards: Standard 2010 - Planning: " The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization ' s goals. " IIA Practice Guide: " Assessing Organizational Governance in the Public Sector " : Highlights the importance of aligning initiatives with strategic goals for effective governance.

NEW QUESTION: 48
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Answer: B (LEAVE A REPLY)
The CAE acted appropriately, and the independence of the internal audit activity was not impaired by seeking input from senior management and the external auditor prior to submitting the annual audit plan for board approval. This practice aligns with the IIA ' s guidance, which encourages collaboration and communication to ensure that the audit plan addresses relevant risks and aligns with organizational goals.
The IIA's International Standards for the Professional Practice of Internal Auditing regarding the development of the internal audit plan.

NEW QUESTION: 49
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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.
IIA ' s International Standards for the Professional Practice of Internal Auditing and Code of Ethics.

NEW QUESTION: 50
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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. Segregation of duties is a key internal control that prevents or detects errors or fraud. 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.

NEW QUESTION: 51
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Answer: (SHOW ANSWER)
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.
Computer forensic audit techniques are commonly discussed in IIA publications and training related to forensic auditing and fraud examination.

NEW QUESTION: 52

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Answer: (SHOW ANSWER)

The most appropriate action for the Chief Audit Executive (CAE) to take in the scenario where staff might mistakenly believe the new internal auditor is related to the procurement manager is to discuss the matter with the appropriate personnel to alleviate concerns. This action ensures that concerns about independence and objectivity are addressed transparently, maintaining trust in the internal audit function.

The IIA's Code of Ethics and standards on objectivity, which stress the importance of maintaining and demonstrating impartiality in all audit engagements.

NEW QUESTION: 53

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Answer: (SHOW ANSWER)

The IIA guidance specifies that the chief audit executive (CAE) should communicate the results of the quality assurance and improvement program (QAIP) to senior management and the board. This includes providing a written conformance statement that indicates whether the internal audit activity conforms to the IIA's International Standards for the Professional Practice of Internal Auditing. This practice ensures transparency and accountability in the internal audit function and helps stakeholders understand the level of adherence to professional standards.

IIA Standard 1320: Reporting on the Quality Assurance and Improvement Program IIA Practice Guide: Quality Assurance and Improvement Program

NEW QUESTION: 54

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Answer: (**SHOW ANSWER**)
According to IIA guidance, the internal audit activity ' s quality assurance and improvement program (QAIP) encompasses both internal and external assessments. Internal assessments involve ongoing monitoring and periodic self-assessments or reviews, while external assessments are conducted by a qualified, independent assessor at least once every five years.
The chief audit executive (CAE) has the responsibility to ensure that the external assessor possesses the appropriate qualifications and independence to perform the assessment. This includes evaluating the assessor ' s competence, experience, and objectivity. This responsibility is crucial for maintaining the integrity and reliability of the QAIP.
IIA Standard 1312: External Assessments
IIA Practice Guide: Quality Assurance and Improvement Program

NEW QUESTION: 55
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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.
IIA Standard 1220: Objectivity, and external auditing standards regarding the use of internal auditors ' work.

NEW QUESTION: 56
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Answer: B (**LEAVE A REPLY**)
A red flag for potential issues in the control environment is compensation structures that are based on commissions. Such compensation schemes can incentivize behavior that

prioritizes personal gain over corporate integrity and compliance, potentially leading to unethical actions or manipulation of results to meet targets.
Internal control frameworks and literature on risk factors in control environments.

NEW QUESTION: 57
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Answer: (SHOW ANSWER)
A deficiency in the control environment is represented by hiring procedures not including background checks for prospective job candidates. This lack of background checks can lead to hiring personnel who may not have integrity or the appropriate qualifications, increasing risk to the organization.
COSO Framework, which discusses components of a strong control environment, including the importance of conducting thorough background checks as part of personnel standards.

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Answer: D (LEAVE A REPLY)
According to IIA guidance, the most effective training method in assisting new entry-level internal auditors in achieving competence with internal audit practices is involvement in a variety of audit assignments. Hands-on experience across different audits allows new auditors to apply theoretical knowledge practically, learn from real-world scenarios, and develop a deeper understanding of audit processes and challenges.
IIA standards and educational guidelines on auditor training and development, which advocate for practical experience as a key component of effective learning.

NEW QUESTION: 59
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Answer: B (LEAVE A REPLY)

The chief audit executive should consider explaining the rating conclusions and the impact of the results from the external assessment when communicating the results of the quality assurance and improvement program to the board. This is crucial as it directly relates to the effectiveness and efficiency of the internal audit function, providing key insights into the internal audit ' s performance and its compliance with established standards and practices.
IIA ' s International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 60

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Answer: D (LEAVE A REPLY)

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.
IIA guidance on effective governance frameworks.

NEW QUESTION: 61

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Answer: (SHOW ANSWER)

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.

IIA Standard 1000: Purpose, Authority, and Responsibility

IIA Practice Guide: Independence and Objectivity

NEW QUESTION: 62

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Answer: A (LEAVE A REPLY)

The proper sequence is to first evaluate the adequacy of the controls to ensure they are appropriately designed to mitigate risks. After confirming their design, the next step is to test the controls to verify they are operating effectively in practice. References:

* IIA Standard 2120: Risk Management.

* COSO Internal Control-Integrated Framework.

NEW QUESTION: 63

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Answer: A (LEAVE A REPLY)

The organizational independence of the internal audit activity is most likely to be impaired if the chief audit executive (CAE) reports administratively to the chief financial officer (CFO). Reporting to the CFO can create a conflict of interest and reduce the perceived and actual independence of the internal audit function, as the CFO has direct involvement in financial management and operations, which are common subjects of audits. This reporting

structure could potentially limit the CAE's ability to report issues impartially and independently.
IIA ' s International Standards for the Professional Practice of Internal Auditing regarding organizational independence.

NEW QUESTION: 64
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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.
International Standards for the Professional Practice of Internal Auditing; guidance on internal audit ' s role in consulting.

NEW QUESTION: 65
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Answer: C (LEAVE A REPLY)
Protecting the objectivity of internal auditors is a crucial aspect of maintaining the integrity and reliability of the internal audit function. According to the International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1120: Individual Objectivity, internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. Prohibiting auditors from accepting gifts from audit clients or potential clients (Option C) is a clear measure to prevent conflicts of interest and ensure that auditors remain objective and free from undue influence. This practice is in line with maintaining the highest level of ethical standards as per the IIA's Code of Ethics.
IIA Standards, Standard 1120: Individual Objectivity
IIA Code of Ethics

NEW QUESTION: 66

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

In the scenario where the board requests the chief audit executive (CAE) to provide consulting services for a new systems implementation project, the CAE should avoid making decisions on risk responses within risk management processes. The CAE's role is to provide independent and objective assurance and consulting services. Making decisions on risk responses would impair the CAE ' s independence and objectivity, which are crucial for the internal audit function. Instead, the CAE can provide advice and recommendations on risk management practices while ensuring that management retains responsibility for decision-making.

The IIA Standards: Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing: " If the CAE has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. " The IIA Practice Guide: " Independence and Objectivity " : Discusses the importance of maintaining independence and objectivity in consulting engagements.

NEW QUESTION: 67

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

Incorrect acceptance risk refers to the risk that an auditor concludes that a financial statement assertion is not materially misstated when, in reality, it is. This type of risk is particularly relevant when performing substantive testing on balances such as inventory, where the auditor uses sampling to draw conclusions about the entire account balance. Auditing standards regarding audit sampling and risk assessment, including the concepts of Type I and Type II errors in auditing.

NEW QUESTION: 68

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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.

The Institute of Internal Auditors (IIA) - Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 69

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Answer: A (LEAVE A REPLY)

NEW QUESTION: 70

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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: 71

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Answer: (SHOW ANSWER)

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.

The IIA's Practice Guide on Risk Management.

COSO's Enterprise Risk Management Framework.

NEW QUESTION: 72

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Answer: B (LEAVE A REPLY)

Risk avoidance is a strategy where an organization decides not to engage in actions or activities that carry risk. By choosing to postpone new investments due to unfavorable economic conditions, management is opting to completely avoid the risks associated with these investments under the current economic scenario.

Institute of Internal Auditors (IIA) Glossary and Standards.

NEW QUESTION: 73

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Answer: C (LEAVE A REPLY)

It is imperative for the chief audit executive to track and develop the educational qualifications of internal audit staff to ensure that the resources needed to complete the audit plan are available. By maintaining a well- qualified audit team, the CAE ensures that the internal audit activity is equipped to address the range of risks and controls that the audit plan encompasses, thereby fulfilling its responsibilities effectively.

IIA guidance on human resources management within internal audit, which emphasizes the importance of continuing education and staff development to meet the organization's audit needs.

NEW QUESTION: 74

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Answer: A (LEAVE A REPLY)

The practice of supervisors providing feedback to internal auditors after reviewing workpapers demonstrates the exercise of due professional care within the internal audit activity. This feedback mechanism helps ensure the quality of audit work and adherence to professional standards, and it promotes continuous improvement and development of audit staff. This aligns with the IIA's definition of due professional care, which includes diligence, attention to detail, and continuous professional development.

IIA Standard 1300: Quality Assurance and Improvement Program, which outlines the requirements for due professional care.

NEW QUESTION: 75

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Answer: (SHOW ANSWER)
According to the Standards set by the Institute of Internal Auditors (IIA), an internal audit activity may report conformance with the Standards even if it has not been in existence for more than five years provided that it has conducted periodic self-assessments and meets the other necessary criteria of the IIA standards. External assessments are required at least once every five years, but conformance can still be reported if internal assessments are conducted in the interim.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 76
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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.
The Institute of Internal Auditors (IIA) guidelines on internal audit charter.

NEW QUESTION: 77
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Answer: A (LEAVE A REPLY)

The IIA standards specify that quality assurance and improvement programs (QAIP) must include both internal and external assessments. The internal assessments must be conducted continuously, and external assessments must be conducted at least once every five years, not seven. A key aspect of QAIP is that quality assessments should be performed by individuals who have sufficient knowledge of internal audit practices, ensuring the effectiveness and credibility of the audit process.
IIA Standard 1300: " Quality Assurance and Improvement Program "

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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.
Risk management strategies and concepts

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Answer: A (LEAVE A REPLY)
To encourage and maintain internal audit objectivity, it is crucial for internal auditors to have an independent reporting line, preferably directly to the audit committee. This policy helps minimize potential biases or influences from management and ensures that audit findings are communicated openly and transparently without fear of repercussion or conflict of interest, thereby safeguarding the objectivity of the audit function.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 80

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Answer: (SHOW ANSWER)

Workpapers typically offer the best evidence that internal auditors exercise due professional care in conformance with the Standards. Workpapers document the planning, execution, and results of audit engagements, providing detailed evidence of the auditor's work and adherence to professional standards.

The IIA's standards on documentation and due professional care, which emphasize the importance of maintaining detailed workpapers.

NEW QUESTION: 81

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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.

Common financial control practices and fraud prevention mechanisms in financial management.

NEW QUESTION: 82

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Answer: B (LEAVE A REPLY)

Demonstrating due professional care in internal auditing involves thorough planning and executing audit procedures that are appropriate to the scope and objectives of the audit.

Option B, planning and executing fieldwork in a complete and timely manner to identify all significant risks, best demonstrates due professional care by ensuring that all relevant risks associated with the organization ' s assets are identified and addressed.
This approach aligns with IIA standards that require auditors to apply knowledge, skills, and experience appropriately in providing assurance services.
IIA Standard 2200: " Due Professional Care "

NEW QUESTION: 83
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Answer: (SHOW ANSWER)
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.
IIA guidance on handling whistleblower claims and conducting internal investigations.

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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.
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: 85
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Answer: A (LEAVE A REPLY)
Drafting operational procedures for an area and then auditing the same area is considered a threat to an internal auditor ' s objectivity because the auditor may be auditing their own work. This situation presents a self-review threat, where the auditor ' s independence can be compromised as they might be biased towards the procedures they themselves have created.
IIA Standard 1120 - Objectivity, which states that internal auditors should not audit their own work or provide assurance on activities for which they were previously responsible.

NEW QUESTION: 86
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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.
IIA best practices on defining risk appetite, which recommend quantifying risk tolerance in financial terms to guide strategic decision-making.

NEW QUESTION: 87
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Answer: B (LEAVE A REPLY)

The collaborating style of conflict resolution is most effective in situations where there is a high level of trust among the parties. This style involves both assertiveness and cooperation, aiming to explore disagreements comprehensively to find solutions that genuinely satisfy the concerns of all parties involved. It requires a trustful environment where parties are open and willing to share their perspectives and work together constructively.
Institute of Internal Auditors (IIA) - Professional Practices Framework on Conflict Resolution

NEW QUESTION: 88
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Answer: B (LEAVE A REPLY)
A risk assessment process is a crucial precondition for developing an effective system of internal controls. It helps identify and analyze risks relevant to achieving the organization's objectives, thereby informing the design and implementation of appropriate controls to mitigate those risks. This foundational step ensures that the internal controls are aligned with the specific risk landscape of the organization.
COSO Framework on Internal Control, Principle Related to Risk Assessment

NEW QUESTION: 89
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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: 90

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Answer: (SHOW ANSWER)

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.

IIA guidance on types of controls

NEW QUESTION: 91

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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: 92

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

The most important factor in the internal audit activity's independence specified in an internal audit charter is the description of the internal audit activity's reporting structure. This element defines to whom the chief audit executive reports functionally and administratively, which is critical to ensuring the independence and objectivity of the internal audit function from management and other potential sources of bias.

The IIA's International Standards for the Professional Practice of Internal Auditing on independence and objectivity.

NEW QUESTION: 93

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

According to IIA guidance, the most appropriate action for a new chief audit executive to gain an understanding of the current level of knowledge, skills, and competencies required by an internal audit activity is to identify gaps in the activity's proficiency based on criteria defined by a widely accepted competency framework. This method directly addresses the proficiency needs and aligns the internal audit team's capabilities with professional standards and the demands of their specific roles within the organization.

The IIA's guidance on internal audit competency frameworks, which suggests using established standards to assess and align internal audit capabilities.

NEW QUESTION: 94

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Answer: A (LEAVE A REPLY)
According to IIA guidance, senior management is ultimately responsible for ensuring that the internal control system of an organization's social responsibility program is effective. This responsibility stems from management ' s role in establishing and maintaining a system of internal controls that supports the achievement of organizational objectives, including those related to social responsibility.
IIA ' s guidance on governance, which places responsibility for the effectiveness of internal controls primarily on senior management.

NEW QUESTION: 95
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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.
IIA Competency Framework.
IIA Standard 1210.A2: Proficiency in fraud risk assessment.

NEW QUESTION: 96
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Answer: C (LEAVE A REPLY)
When a risk assessment shows that the cost of addressing a particular risk is greater than the perceived benefit, the appropriate risk response approach is to accept the risk. Risk acceptance means acknowledging that the risk exists but deciding not to take any action to mitigate it, usually because the cost of mitigation is higher than the potential impact. This approach is a rational decision when the risk is deemed to have a low likelihood or impact, or when other controls are considered sufficient.

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 ERM Framework: Discusses risk response options including risk acceptance as a viable strategy when the cost-benefit analysis justifies it.

NEW QUESTION: 97

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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.
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: 98

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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.
Human resources management practices and IIA guidelines on staff development

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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: 100
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Answer: A (LEAVE A REPLY)
Developing a business continuity plan for contingent situations is the most effective preventative control for organizations facing business disruptions and respective financial losses. A business continuity plan helps ensure that critical services or products are delivered during a disruption, thus minimizing the risk of significant financial losses. This plan outlines the procedures and instructions an organization must follow in the face of such disasters, covering aspects such as business processes, assets, human resources, business partners, and more.
Best practices in risk management and business continuity planning.

NEW QUESTION: 101
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Answer: (SHOW ANSWER)

Corporate social responsibility (CSR) reporting typically includes information on how a company ' s operations impact the community and environment. Reporting the number of complaints related to traffic from a new factory reflects the organization ' s commitment to addressing community concerns and environmental impact, which are key aspects of CSR.
References:
* Global Reporting Initiative (GRI) Standards.
* IIA guidance on CSR and sustainability reporting.

NEW QUESTION: 102
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Answer: (SHOW ANSWER)
According to the IIA's Standards, if it has been more than five years since the last external assessment was conducted, the Internal audit activity must cease indicating that it operates in conformance with the Standards.
Regular external assessments are required at least once every five years to validate that an internal audit activity continues to operate in conformance with the Standards.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

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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.
Fraud classification and types in internal audit literature

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Answer: (SHOW ANSWER)
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.
IIA Standard 1000: " Consulting Services "

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Answer: (SHOW ANSWER)
A risk register would be most useful for an internal auditor assessing the effectiveness of the organization ' s risk responses. This tool lists all identified risks along with their severity, ownership, and the actions taken to mitigate them, making it a key resource for evaluating whether the responses have been effective and align with the organization's risk appetite and management strategies.
IIA guidance on risk assessment and management

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Answer: D (LEAVE A REPLY)
Reconciling claims with business trip requests approved by supervisors is effective in detecting unauthorized or personal travel claims, as it ensures travel expenses align with actual business needs, per IIA guidelines on fraud detection and control validation.

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Answer: (SHOW ANSWER)
The qualifications of the assessors must be communicated to the board. This requirement ensures that the board is aware of the credibility and expertise of the external assessors, affirming that the quality assurance review is conducted by professionals with the necessary skills and experience. This is crucial for maintaining trust in the QAIP process and its outcomes.
IIA Standard on Quality Assurance and Improvement Program

NEW QUESTION: 109
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Answer: A (LEAVE A REPLY)

An important aspect of an internal auditor ' s role in fraud management is utilizing analytical techniques to actively discover instances of potential fraud. Internal auditors play a critical role in fraud detection by employing data analysis and other analytical methods to identify unusual patterns, anomalies, or red flags that could indicate fraudulent activities. By proactively using these techniques, auditors can help uncover fraud early and provide valuable insights to management for timely intervention.
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. " IIA Practice Guide: " Fraud Prevention and Detection in an Automated World " : Emphasizes the use of analytical techniques for identifying potential fraud.

NEW QUESTION: 110
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Answer: C (LEAVE A REPLY)
Selling a nonstrategic business unit is an example of a risk avoidance strategy. By divesting from parts of the business that are not core to its strategic objectives or that may represent heightened risks, an organization effectively avoids the risks associated with maintaining those operations.
Risk management strategies and definitions as provided in risk management and internal audit literature, which categorize selling non-core units as avoidance since it eliminates specific risks.

NEW QUESTION: 111
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Answer: B (LEAVE A REPLY)
Internal auditors are most likely to be asked to sign a non-disclosure agreement as a demonstration of due professional care. This helps ensure the confidentiality of information encountered during audits, maintaining integrity and trustworthiness in their professional conduct.
IIA Code of Ethics and standards on confidentiality and professional conduct.

NEW QUESTION: 112
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Answer: B (LEAVE A REPLY)

By not raising an audit finding about the organization failing to make a legally required disclosure, the internal auditor violated the principle of Integrity. This principle requires auditors to perform their work honestly, diligently, and responsibly. Ignoring a legal requirement compromises the auditor's integrity, as it involves a deliberate omission of relevant facts.

* Option A: Objectivity involves maintaining impartiality, which is related but not directly relevant to this situation.
* Option C: Proficiency pertains to having the necessary knowledge and skills.
* Option D: Confidentiality involves respecting the value and ownership of information received.

IIA Code of Ethics: Integrity.

IIA Standards of Professional Practice.

NEW QUESTION: 113
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Answer: (SHOW ANSWER)

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.

Institute of Internal Auditors (IIA) Glossary and Standards.

NEW QUESTION: 114
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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 advising, counseling, and providing insights based on analyses and assessments in a way that adds value and improves an organization ' s operations without assuming management ' s responsibilities. Implementing risk responses, imposing risk management processes, or setting the risk appetite would compromise the independence of the internal audit function.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 115
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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.
The Institute of Internal Auditors (IIA) - Code of Ethics.

NEW QUESTION: 116
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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.

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: 117
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Answer: D ([LEAVE A REPLY]())
Before undertaking an assessment of the quality assurance and improvement program, it is necessary to establish external assessment resources. This includes determining who will conduct the external assessment, the methodology to be used, and other logistical considerations to ensure that the assessment is thorough and conforms to the IIA's standards for quality assurance.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, specifically those related to quality assurance and improvement.

NEW QUESTION: 118
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Answer: B ([LEAVE A REPLY]())
Organizational governance processes are best described as the processes employed by the board of directors to authorize, provide guidance, and oversee management to promote the achievement of organizational objectives. This definition captures the essence of governance as the framework through which the highest level of strategic decision-making and oversight occurs within an organization.
IIA guidance on governance and the role of the board

NEW QUESTION: 119
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Answer: D (LEAVE A REPLY)
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.
IIA Standard 1210: Proficiency and Due Professional Care.
IIA Standard 1230: Continuing Professional Development.

NEW QUESTION: 120
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Answer: (SHOW ANSWER)
According to IIA guidance, the internal audit charter should document the nature of consulting services provided by the internal audit activity. This helps to define and communicate the scope and extent of consulting services that the internal audit is authorized to provide, thereby establishing clear boundaries and expectations for both the audit team and the rest of the organization.
IIA Standard 1000: Purpose, Authority, and Responsibility.

NEW QUESTION: 122
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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.
IIA's International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement.

NEW QUESTION: 123
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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.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 124

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Answer: C (LEAVE A REPLY)

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.

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

NEW QUESTION: 125

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Answer: (SHOW ANSWER)

The most effective approach for an internal auditor to assess whether the organization supports a culture of tolerance and open communication, particularly in the context of reported issues within a large manufacturing plant, is to evaluate organization policies and procedures for references related to encouraging tolerance and open communication. This method directly targets the formal expressions of the organization ' s values and rules, offering concrete evidence of stated commitments and practices.

Auditing cultural aspects and workplace environment involves reviewing formal policies and procedures to ensure they align with stated values, as recommended in IIA guidance on assessing organizational culture.

NEW QUESTION: 126

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Answer: B (LEAVE A REPLY)

The internal auditor ' s failure to identify the origins of a significant control issue before concluding the engagement suggests a lack of critical thinking skills. Critical thinking involves analyzing and evaluating an issue thoroughly to understand its root causes before forming a judgment. Improving this skill would enhance the auditor ' s ability to conduct deeper analyses and provide more valuable insights in audit reports.

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

NEW QUESTION: 127

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Answer: B (LEAVE A REPLY)

Internal assessments are part of an internal audit activity's quality assurance and improvement program that requires ongoing monitoring to evaluate the internal audit activity ' s efficiency and effectiveness. These ongoing assessments help in continuously improving the performance and value of the internal audit function by ensuring that it operates effectively and adapts to changes in organizational needs and conditions.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 128

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Answer: B (LEAVE A REPLY)

The statement that the internal audit activity shall develop a flexible audit plan based on risk assessment and submit this plan to the board for approval is typically found in the responsibilities section of the internal audit charter. This element emphasizes the planning aspect of audit activities, showcasing the audit's alignment with organizational risks and the governance structure's oversight.

IIA's International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 129

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Answer: D (LEAVE A REPLY)

For an internal auditor developing an approach for an audit engagement in a foreign country, it is most important to consider accepted practices in the country that may be illegal elsewhere. This awareness is critical to ensure that the audit respects local laws and regulations while also adhering to the ethical standards required in the auditor ' s home country. Understanding and navigating the legal and cultural differences can significantly impact the effectiveness and legality of the audit process.

International auditing standards and guidelines that emphasize the importance of legal and cultural awareness in conducting audits across different jurisdictions.

NEW QUESTION: 130

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Answer: D (LEAVE A REPLY)

The most effective way to ensure that a newly formed internal audit activity remains free from undue management influence is to establish the internal audit activity's position within the organization through an audit charter. According to the Institute of Internal Auditors (IIA) standards, the audit charter should define the purpose, authority, and responsibility of the internal audit activity, clearly outlining the scope of internal auditing within the

organization. This foundational document formalizes the internal audit function's role and provides a framework that supports its operational independence.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 131

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Answer: (SHOW ANSWER)

An effective governance process requires that risk is considered in strategic decision-making, ensuring that all significant risks are identified, assessed, and managed appropriately. This integration of risk management into the strategic planning process helps align risk appetite and strategy, improving the overall governance and risk management framework of the organization.
References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 132

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Answer: B (LEAVE A REPLY)

The directive that should concern the chief audit executive (CAE) the most is that internal auditors shall perform risk management activities. While internal auditors can assess and provide assurance on risk management processes, taking on the role of performing risk management activities can impair their objectivity and independence. Risk management is a management responsibility, and if internal auditors are involved in these activities, it could lead to conflicts of interest and compromise their ability to provide independent assurance.
The IIA Standards: Standard 1112 - Chief Audit Executive Roles Beyond Internal Auditing: " If the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity. " The IIA Practice Guide: " Independence and Objectivity " :

Discusses the importance of maintaining independence by avoiding operational responsibilities like risk management.

NEW QUESTION: 133

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Answer: (SHOW ANSWER)

The role of internal auditors in assessing how an organization promotes ethics and values internally and with external business partners involves reviewing the organization's objectives, programs, and activities related to these areas. This approach aligns with the standard practice of internal auditing, which aims to ensure that an organization's processes and policies support its ethical standards and values.

Institute of Internal Auditors (IIA) Standards and Guidelines.

NEW QUESTION: 134

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Answer: D (LEAVE A REPLY)

Facilitation skills are critical for assessing corporate social responsibility through a self-assessment. Effective facilitation helps guide the participants through the self-assessment process, ensuring that all relevant issues are thoroughly discussed and that contributions from various stakeholders are effectively incorporated. This skill set is essential for eliciting insightful, honest feedback and fostering a constructive dialogue about the organization ' s social responsibility practices.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 135

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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.
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: 136
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Answer: (SHOW ANSWER)
In this situation, the internal auditor violated the IIA ' s Code of Ethics by using confidential information obtained during an audit (salary data) for personal gain (negotiating work conditions). This action breaches the confidentiality and objectivity principles outlined in the IIA Code of Ethics, which require auditors to refrain from using information for any personal advantage or in a manner that would be detrimental to the legitimacy or trust of the audit function.
Institute of Internal Auditors (IIA) - Code of Ethics

NEW QUESTION: 137
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Answer: D (LEAVE A REPLY)
According to IIA guidance, ISO 31000 recommends that utilizing a combination of the three primary approaches to the framework (ISO 31000) often provides the most comprehensive insights despite the complexity involved. This approach allows for a more robust and holistic understanding of the organization's risk management practices by integrating multiple perspectives and methodologies.
The Institute of Internal Auditors (IIA) provides guidance on utilizing standards such as ISO 31000 in internal audit practices, emphasizing the value of a comprehensive approach.

NEW QUESTION: 138
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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.
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: 139
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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.
The IIA's International Standards for the Professional Practice of Internal Auditing, particularly those standards related to due professional care.

NEW QUESTION: 140
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Answer: C (LEAVE A REPLY)

Escalating unresolved high-risk issues to senior management and the board is in line with IIA guidance, which underscores the importance of ensuring that significant audit findings are addressed appropriately to protect the organization's interests.

NEW QUESTION: 141

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Answer: (SHOW ANSWER)

In situations where proper segregation of duties is not achievable due to insufficient staffing, internal auditors recommend the implementation of compensating controls.
Compensating controls are additional procedures or safeguards designed to reduce the risk associated with insufficient segregation of duties. These controls do not prevent errors or fraud from occurring but aim to detect them in a timely manner if they do occur.
For instance, in a small manufacturer where the accounting department cannot separate tasks adequately due to limited staff, the auditor might suggest:
* Enhanced supervisory reviews: Managers or supervisors closely review and approve transactions and reconciliations performed by the staff.
* Periodic independent reviews: Regular audits or reviews by internal auditors or third-party auditors to ensure transactions are proper and in compliance with company policies.
* Use of technology: Implementing automated controls that require multiple approvals for significant transactions.
* Rotation of duties: Regularly rotating employees ' responsibilities to prevent familiarity and collusion.
These measures help mitigate the risks that arise from the lack of segregation of duties, providing reasonable assurance that financial records are accurate and that fraud or errors are detected promptly.
The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
COSO Internal Control - Integrated Framework.
" Internal Auditing: Assurance & Advisory Services " by IIA, Chapter on Control Activities and Segregation of Duties.

NEW QUESTION: 142

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Answer: C (LEAVE A REPLY)

In a consulting engagement, the internal auditors collaborate with management to determine the objectives and scope. In contrast, for assurance engagements, the internal audit activity sets the objectives and scope independently to provide an unbiased assessment. References:

* IIA Standard 2010: Planning.
* IIA Practice Guide: Consulting Services.

NEW QUESTION: 143

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Answer: C (LEAVE A REPLY)

The principle most likely violated in this scenario is objectivity. According to the IIA Code of Ethics, internal auditors must maintain an unbiased and impartial mindset in all aspects of their engagements. By considering a job offer from a business unit manager involved in an audit, the auditor risks compromising her ability to remain objective both during and after the audit process. This situation creates a conflict of interest that can influence the auditor ' s judgments, potentially leading to bias in audit findings or decisions.

The Institute of Internal Auditors (IIA) - Code of Ethics

NEW QUESTION: 144

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Answer: A (LEAVE A REPLY)

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.

International Standards for the Professional Practice of Internal Auditing, specifically on risk assessment and management.

NEW QUESTION: 145
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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.
IIA Standard 2110 - Governance

NEW QUESTION: 146
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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.
The IIA ' s competency framework for internal auditors, which emphasizes the application of data analytics in audit practices.

NEW QUESTION: 147
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Answer: D (LEAVE A REPLY)

An assessment of performance management practices and the establishment of key performance indicators directly relates to organizational governance, as these elements are integral in defining and measuring how organizational goals are achieved, which is a key aspect of governance. Internal auditors assessing these areas contribute significantly to evaluating and improving the governance framework within the organization.
IIA Practice Advisory on Governance

NEW QUESTION: 148
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Answer: (SHOW ANSWER)
The situation that would cause the greatest concern regarding impairment of internal audit objectivity is when the internal auditor uses his in-depth knowledge of systems development to assist the audit client in designing a new operational system with robust controls. By participating in the design and implementation of the system, the internal auditor becomes part of the process, which can compromise their ability to independently evaluate the system in future audits. This involvement creates a conflict of interest and impairs the auditor's objectivity.
The IIA Standards: Standard 1120 - Individual Objectivity: "Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest." IIA Practice Guide: "Independence and Objectivity": Discusses the risks associated with internal auditors performing operational roles that can impair their independence and objectivity.

NEW QUESTION: 149
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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.
The Institute of Internal Auditors (IIA) - Guidance on Risk Management

NEW QUESTION: 150
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Answer: (SHOW ANSWER)
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.
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: 151
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Answer: B (LEAVE A REPLY)

The chief audit executive (CAE) is responsible for ensuring the professional development of the internal audit staff. This responsibility includes providing opportunities for ongoing training and development to maintain and enhance their competencies. References:
* IIA Standard 1230: Continuing Professional Development.
* IIA Practice Guide: Continuing Professional Development for Internal Auditors.

NEW QUESTION: 152
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Answer: C (LEAVE A REPLY)
In an assurance engagement examining the adequacy of organization-wide risk management practices, a primary area of interest would be the alignment of management decisions with the level of risk the organization is willing to accept. This focus helps determine whether the risk management framework is effectively informing strategic decision-making and aligning with the business objectives and risk appetite of the organization. Effective risk management practices should guide management in making decisions that align with the entity ' s predefined risk thresholds.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 153
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Answer: B (LEAVE A REPLY)

The board of directors has the ultimate responsibility for implementing the organization's governance system.
This includes overseeing the strategic direction and accountability mechanisms that align with good governance practices. The board ensures that governance structures and principles are clearly defined and effectively implemented, providing oversight to management activities. References: Corporate governance principles and guidelines, which often highlight the role of the board in setting and maintaining effective governance systems.

NEW QUESTION: 154
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Answer: B (LEAVE A REPLY)
Having internal auditors rotate to other areas of the organization for non-audit assignments poses the greatest risk of compromising audit objectivity. This practice can lead to conflicts of interest and familiarity threats, as auditors may become too closely aligned with the operations of the areas they audit later, potentially impairing their impartiality and independent judgment.
IIA Standards on objectivity and independence; guidelines on auditor rotation and non-audit assignments.

NEW QUESTION: 155
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Answer: C (LEAVE A REPLY)
Individuals working in separate internal audit activities can be considered independent for the purpose of conducting a peer review, provided they do not report to the same chief

audit executive (CAE). This separation helps to ensure that the reviewers do not have a conflict of interest or undue influence from shared reporting lines, thus maintaining the integrity of the external quality assessment process.
IIA Standard 1312 - External Assessments

NEW QUESTION: 156
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Answer: D (LEAVE A REPLY)
When dealing with requests for internal audit records, especially those involving third parties, it is crucial to balance the need for confidentiality with the potential benefits of sharing information. According to IIA guidance, the chief audit executive (CAE) should consult with senior management to ensure that any decision to release audit records is aligned with the organization ' s policies, legal considerations, and ethical standards.
Consulting with senior management allows for a thorough evaluation of the implications of releasing the records, including potential risks, legal constraints, and the impact on relationships with third-party suppliers.
This collaborative approach ensures that the decision is well-informed and appropriately authorized.
IIA Standard 2440: Disseminating Results
IIA Code of Ethics: Confidentiality Principle

NEW QUESTION: 157
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Answer: B (LEAVE A REPLY)

Employing the use of data analytics tools to sort, analyze, and detect anomalies in the data best demonstrates due professional care by the internal auditor. This approach allows for efficient and effective review of large volumes of data, enabling the auditor to identify patterns and irregularities that may indicate fraudulent transactions, while also adhering to the principles of competence and due care outlined in the IIA ' s standards.

IIA Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 158

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Answer: A (LEAVE A REPLY)

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.

IIA Standard 1300 - Quality Assurance and Improvement Program

NEW QUESTION: 159

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Answer: C (LEAVE A REPLY)

The Internal Audit Activity's Quality Assurance and Improvement Program (QAIP) aims to ensure that the internal audit activities are carried out to the highest standards of quality and comply with the defined audit standards and practices. Sharing the results of the QAIP with the organization's external auditors is permissible and can enhance the understanding and reliance on audit processes. It aids in external audit planning and may contribute to more effective and streamlined audit practices across both internal and external teams.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 160
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Answer: (SHOW ANSWER)
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.
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.

NEW QUESTION: 161
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Answer: (SHOW ANSWER)
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.
IIA Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 162
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Answer: (SHOW ANSWER)
According to the stakeholder theory of corporate social responsibility (CSR), employees are considered key stakeholders and are often referred to as the organization ' s best assets and a primary responsibility. This view is in contrast to the shareholder-centric model that prioritizes shareholders ' needs above all else. Stakeholder theory argues that long-term success is achieved by managing and balancing the interests of all stakeholders, including employees, customers, suppliers, and the community. References: Theories and frameworks on stakeholder theory in CSR, which emphasize the importance of considering various stakeholders in business decisions.

NEW QUESTION: 163
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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.
IIA Practice Guide: Assessing the Adequacy of Risk Management Using ISO 31000 COSO Enterprise Risk Management Framework

NEW QUESTION: 164
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Answer: (SHOW ANSWER)

When an internal auditor suspects that a tender was tailored for a specific bidder, the next appropriate action is to analyze the technical terms and conditions of the tender (Option D). This step involves a detailed examination of the tender documentation to identify any specific terms that may have been included to favor a particular bidder. Such an analysis can provide evidence of bias or manipulation. According to the IIA Standards, auditors must gather sufficient, reliable, and relevant evidence to support their findings (Standard 2310: Identifying Information).
IIA Standards, Standard 2310: Identifying Information
IIA Practice Guide: Evaluating Third-party Risk Management

NEW QUESTION: 165
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Answer: C (LEAVE A REPLY)
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.
The Institute of Internal Auditors (IIA) - Standards for Objectivity

NEW QUESTION: 166
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Answer: C (LEAVE A REPLY)
According to the IIA's definition of due professional care, internal auditors are expected to perform assurance services that are needed to achieve the engagement ' s objectives. This includes considering the cost of assurance in relation to the benefits. The standard does not require auditors to identify all risks or guarantee that all significant risks will be addressed, as absolute assurance in any auditing context is unattainable.

IIA Standard on Due Professional Care.

NEW QUESTION: 167
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Answer: A (LEAVE A REPLY)
According to IIA guidance, it is appropriate for an internal auditor to determine whether the organization has adequate controls to achieve its CSR objectives and to facilitate a management self-assessment of CSR controls and results. These activities are within the scope of internal auditing as they involve evaluating the effectiveness of governance, risk management, and control processes. Consulting on project design and implementation for CSR or excluding external risks goes beyond the typical role of internal auditing, which is to provide independent assurance.
The IIA ' s guidance on the role of internal auditing in organizational governance and control evaluations.

NEW QUESTION: 168
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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.
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: 169
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Answer: C (LEAVE A REPLY)
The feedback from operational management highlights a lack of effective communication. While the internal audit team effectively communicated the audit findings, they failed to adequately consider and integrate management ' s input on resolving the issues. Improving communication skills would help the internal audit team to better engage stakeholders throughout the audit process and integrate their perspectives into the audit recommendations effectively.
The Institute of Internal Auditors (IIA) - Competency Framework for Internal Auditors

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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.
Institute of Internal Auditors (IIA) - Risk Control Matrices and Internal Control Frameworks

NEW QUESTION: 171

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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: 172

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Answer: B (LEAVE A REPLY)

According to The IIA ' s Core Principles for the Professional Practice of Internal Auditing, one of the key principles is that internal auditors should be objective and free from undue influence (independence). The correct option that aligns with these principles is B, where final reports from consulting engagements provide a summary of findings and ensure that the auditor's advice is distinctly separated from management ' s decisions. This separation supports the principle of objectivity and avoids conflicts of interest, which is fundamental in upholding the integrity and independence of the internal audit function.

The IIA ' s Core Principles for the Professional Practice of Internal Auditing

NEW QUESTION: 173

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Answer: (SHOW ANSWER)
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.
Best practices in cybersecurity risk management

NEW QUESTION: 174
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Answer: C (LEAVE A REPLY)
When assessing the effectiveness of the organization ' s newly revamped risk management processes, internal auditors should first review the organizational strategy and business plans. This review helps auditors understand the context and priorities of the organization, which are crucial for evaluating how well the risk management processes are aligned with strategic objectives.
Best practices and standards from the IIA regarding assessing risk management processes, emphasizing alignment with organizational strategies.

NEW QUESTION: 175
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Answer: (SHOW ANSWER)
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: 176
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Answer: C (LEAVE A REPLY)
The driver of fraud that is directly controllable by an organization is Opportunity. By designing and implementing strong internal controls, clearly defining roles and responsibilities, and conducting regular audits and reviews, an organization can significantly reduce the opportunities for fraud to occur within its environment.
Fraud Triangle theory and IIA guidance on fraud risk management.

NEW QUESTION: 177
CAE(Chief Audit Executive)□ □□ □□ □□□□ □□□ □□□□ □□□□ □□□ □□ □□□□□ □□□□□□. CAE□ □ □□□ □□□□□□ □□□ □□□□□?
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Answer: A (LEAVE A REPLY)
The chief audit executive (CAE) may decide to outsource an audit of the organization ' s cloud governance due to a lack of proficiency within the internal audit staff. Cloud governance involves specialized knowledge and skills related to cloud technologies, security, compliance, and risk management. If the internal audit team lacks the necessary expertise to perform a comprehensive and effective audit in this area, outsourcing to external experts ensures that the audit is conducted with the required depth and quality.
IIA Standard 1210: Proficiency
IIA Standard 2070: External Service Provider and Organizational Responsibility for Internal Auditing

NEW QUESTION: 178

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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: 179

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Answer: D (LEAVE A REPLY)

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 IT-related decisions and activities align with strategic objectives and manage IT risks effectively.

IIA Global Technology Audit Guide (GTAG) on IT Governance

NEW QUESTION: 180

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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.
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: 181
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Answer: (SHOW ANSWER)
The level of competence of internal audit staff critically influences their proficiency in carrying out audit engagements. Competence encompasses the knowledge, skills, and other attributes necessary to perform audit tasks effectively. It affects the quality of the audits conducted and the value the audit team adds to the organization, ensuring that audits are performed with the required professional care and skepticism.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 182
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Answer: B (LEAVE A REPLY)

The most appropriate action for the chief audit executive to take when updating the internal audit charter is to perform a review of IIA guidance to become acquainted with the latest mandatory elements prior to updating the charter. This ensures that the charter will be updated according to the most current standards and practices required by the IIA. Staying updated with the latest guidance helps in maintaining compliance with professional standards and aligning the internal audit function ' s objectives and scope with organizational needs and regulatory expectations.

IIA ' s International Standards for the Professional Practice of Internal Auditing and guidance on internal audit charters.

NEW QUESTION: 183

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Answer: C (LEAVE A REPLY)

To improve the approach to reporting the results of the QAIP, the results must also be shared with the external auditors. This sharing of information helps external auditors determine the extent to which they can rely on the work of the internal audit activity. This not only enhances coordination between internal and external audit functions but also improves the overall audit quality by enabling external auditors to better understand the internal audit environment and its effectiveness.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 184

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Answer: B (LEAVE A REPLY)
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: 185
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Answer: D (LEAVE A REPLY)
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.
The IIA ' s Code of Ethics

NEW QUESTION: 186
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Answer: D (LEAVE A REPLY)
The nature of services provided by the internal audit activity, including training management on internal controls, is typically defined in the audit charter. The audit charter outlines the purpose, authority, and scope of the internal audit activity, including any advisory services it provides, such as training. It establishes the framework within which the internal audit team operates and serves as a formal document that specifies the arrangement between the internal audit function and the rest of the organization.
IIA Standard 1000: Purpose, Authority, and Responsibility.

NEW QUESTION: 187
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Answer: A (LEAVE A REPLY)
IIA standards require that internal auditors avoid engagements in areas where they recently held operational responsibility, typically within a one-year period, to maintain independence and objectivity.

NEW QUESTION: 188
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Answer: D (LEAVE A REPLY)
According to IIA guidance, the results of ongoing monitoring of the internal audit activity's performance must be reported to senior management and the board at least annually. This ensures that the board and senior management are regularly informed about the effectiveness and efficiency of the internal audit function, aligning with the IIA's standards on quality assurance and improvement.

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

NEW QUESTION: 189

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Answer: C (LEAVE A REPLY)

The most appropriate response for a chief audit executive (CAE) who has been asked to oversee the organization's insurance function is to report the request to the board and recommend alternate processes to obtain assurance related to insurance activities. Taking on operational responsibilities such as overseeing the insurance function could impair the objectivity and independence of the internal audit activity, making it difficult to audit those activities impartially in the future.

IIA Standards on independence and objectivity, particularly Standard 1130: Impairment to Independence or Objectivity.

NEW QUESTION: 190

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Answer: (SHOW ANSWER)

When the internal audit activity does not have the appropriate skills to review the organization ' s compliance with recently introduced legislation on international transfer pricing, the most appropriate course of action is to outsource the engagement to an external audit firm that has the necessary expertise. This ensures that the review is conducted thoroughly and accurately by professionals with specialized knowledge, maintaining the quality and reliability of the audit work while addressing the specific requirements of the engagement.

The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) - Standard
1210: Proficiency.
The IIA's Practice Guide on Coordinating Internal and External Audit Activities.

NEW QUESTION: 191

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

The chief audit executive (CAE) should recommend that the executive attend the event but decline the offer to use the luxury vehicle. This advice maintains the executive ' s ability to participate in relevant business activities while avoiding activities that might appear to compromise his integrity or the organization ' s standards of ethical conduct. References: IIA ' s Code of Ethics and standard guidance on conflicts of interest and the acceptance of gifts.

NEW QUESTION: 192

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

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.
The IIA's International Standards for the Professional Practice of Internal Auditing on independence and objectivity.

NEW QUESTION: 193

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Answer: C (LEAVE A REPLY)
Computer forensic auditing is the process of collecting and analyzing digital evidence from electronic devices. The purpose is to investigate and resolve cases involving cybercrime, fraud, or other illegal or unethical activities. One of the examples is recovering deleted communications and emails, which can help to reveal the identity, motive, or modus operandi of the perpetrators or suspects.

NEW QUESTION: 194
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Answer: (SHOW ANSWER)

NEW QUESTION: 195
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Answer: D (LEAVE A REPLY)

NEW QUESTION: 196
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Answer: (SHOW ANSWER)
The IIA emphasizes the need for internal auditors to maintain independence and avoid situations that might impair objectivity. Assigning a recent finance employee to audit finance-related activities may lead to actual or perceived conflicts of interest, compromising the integrity of the audit findings.

NEW QUESTION: 197
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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.
The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), specifically guidelines on using external experts in audit engagements.

NEW QUESTION: 198

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Answer: C (LEAVE A REPLY)

The core competency displayed by the senior auditor is critical thinking. This competency is demonstrated by her ability to identify a limitation in the current audit procedures and then effectively resolve the issue by using a new tool recommended by a colleague. Critical thinking involves the analysis and evaluation of an issue to form a judgment, which is crucial in adapting audit techniques to meet the demands of complex engagements.
IIA's Global Internal Audit Competency Framework

NEW QUESTION: 201

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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.
IIA Standards and guidance on independence and objectivity.

NEW QUESTION: 202
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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. Internal auditors should also pursue relevant professional development opportunities to enhance their ability to add value to the organization. The other options may support or facilitate the development, but they are not ultimately responsible for it.

NEW QUESTION: 203
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Answer: A (LEAVE A REPLY)

The chief audit executive (CAE) should decline the request to perform a review of suspicious transactions if it is a consulting engagement, particularly because she recently worked in the organization's accounting department. The close temporal proximity (six months ago) between her managerial role in the department and the present could impair her objectivity and independence in evaluating the transactions.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Code of Ethics

NEW QUESTION: 204
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Answer: D (LEAVE A REPLY)
The scenario that would most significantly restrict the areas where internal audit could perform assurance services is if the internal audit activity reports administratively to the chief financial officer (CFO). Reporting to the CFO could impair the perceived independence of the internal audit activity because the CFO is typically responsible for the financial and operational aspects of the organization that internal audit frequently assesses. This relationship could create a conflict of interest and limit the scope of audits that can be performed impartially.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 205
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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.
IIA Standard 1112: Chief Audit Executive Roles Beyond Internal Auditing IIA Standard 1100: Independence and Objectivity

NEW QUESTION: 206
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Answer: (SHOW ANSWER)
The appropriate role for the internal audit activity in relation to an organization's risk management process is to provide assurance on the effectiveness of these processes. This involves evaluating whether risk management practices help the organization manage its risks within defined risk tolerance levels effectively and are aligned with the strategic goals. Internal audit should not be involved in designing controls or setting risk tolerance as this could impair their independence.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 207
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Answer: (SHOW ANSWER)
An internal auditor who has a romantic relationship with an audit client violates the rule of objectivity.
Objectivity requires that auditors make balanced assessments of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. A romantic relationship could impair an auditor ' s objectivity by creating a conflict of interest or the perception of bias.References: The IIA
' s Code of Ethics.

NEW QUESTION: 208

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Answer: (SHOW ANSWER)

To prevent situations where an internal auditor's impartiality could be questioned, it is essential to have a process in place that requires auditors to disclose any potential conflicts of interest. This helps to identify and address any relationships or circumstances that might compromise, or appear to compromise, the auditor's objectivity and independence. Ensuring that such disclosures are made before assignments are accepted can prevent conflicts of interest from affecting the audit process.

IIA Code of Ethics: Objectivity Principle

IIA Standard 1120: Individual Objectivity

NEW QUESTION: 209

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Answer: C (LEAVE A REPLY)

The internal audit activity should avoid conflicts of interest and maintain independence and objectivity.

Rotational auditors performing consulting engagements in areas where they had previous responsibilities can impair their objectivity and independence, which is a non-conformance with the IIA Standards. References:

* IIA Standard 1130 - Impairment to Independence or Objectivity.
* IIA Standard 1100 - Independence and Objectivity.

NEW QUESTION: 210

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Answer: C (LEAVE A REPLY)
The most effective preventative control to reduce losses due to discrepancies between inventory and sales, suspected to arise from the abuse of cash register refunds and voids, would be to require a manager to use a reserved register code to approve voids or refunds. This control introduces a level of oversight and accountability, ensuring that refunds and voids are legitimately and appropriately authorized, thereby reducing the likelihood of fraudulent activities.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 211
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Answer: B (LEAVE A REPLY)
The best technique to detect fictitious vendors in the organization's computer system is to run checks to find matches between vendor and employee addresses. This method is effective because fictitious vendors often have addresses that match those of employees creating them. This kind of analysis targets the direct linkage between fraudulent activities and internal entities, which is a common red flag in vendor fraud scenarios.
Association of Certified Fraud Examiners (ACFE) - Techniques for Fraud Detection

NEW QUESTION: 212
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Answer: A (LEAVE A REPLY)
Whistleblowing is indeed one of several possible ethical structures an organization can undertake to encourage ethical behavior. This option correctly reflects that whistleblowing programs are part of a broader ethical framework designed to encourage transparency and integrity, rather than just being a response to employee dissatisfaction or retaliation.
Ethical guidelines and standards from the Institute of Internal Auditors (IIA) and corporate governance literature.

NEW QUESTION: 213
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Answer: C (LEAVE A REPLY)
The statement that best describes the difference between risk appetite and risk tolerance is that risk appetite refers to an organization's general level of acceptance of risk, while risk tolerance is a more specific and subordinate concept. Risk appetite is the broad-based amount of risk an organization is willing to accept in pursuit of its mission, while risk tolerance defines the acceptable level of variation that management is willing to allow for any particular risk as it pursues its objectives.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 214
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Answer: (SHOW ANSWER)
The statement that the internal auditor may initially disagree with management's acceptance of a risk, but reevaluate and agree with management's judgment after further discussion, is true. This scenario reflects the dynamic nature of risk assessment and management discussions where the auditor, after a comprehensive evaluation and consideration of new information or perspectives, might align with management's decision regarding risk acceptance.
IIA's International Standards for the Professional Practice of Internal Auditing regarding objectivity and professional judgment.

NEW QUESTION: 215
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Answer: C (LEAVE A REPLY)
An example of a detective control is confirmation with suppliers and vendors. This control involves verifying transactions after they occur to ensure accuracy and authenticity, helping to detect errors or fraud in the organization ' s operations with external parties.
Internal control concepts and definitions from authoritative sources like the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

NEW QUESTION: 216
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Answer: A (LEAVE A REPLY)
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.
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: 217
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Answer: A (LEAVE A REPLY)
A control is effective when it achieves its intended objective, such as preventing or detecting errors or fraud. A control is efficient when it minimizes the cost and effort required to achieve its objective. In this case, the control of automatically creating amended purchase orders is effective because it ensures that the discrepancies between the original purchase order and the final invoice are resolved. However, the control is inefficient because it generates too many amended purchase orders for minor differences that may not be material or significant. A more efficient control would be to set a threshold or tolerance level for the discrepancies.

NEW QUESTION: 218
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Answer: D (LEAVE A REPLY)
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.

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

NEW QUESTION: 219
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Answer: C (LEAVE A REPLY)
When communicating the results of the quality assurance and improvement program (QAIP) to senior management and the board, the chief audit executive (CAE) must include disclosures on the " Scope and frequency of both the internal and external assessments. " This information provides stakeholders with insight into the comprehensiveness and timing of the QAIP evaluations, ensuring transparency and accountability in the internal audit function's efforts to maintain or improve quality and effectiveness.
IIA Standard 1312 - External Assessments

NEW QUESTION: 220
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Answer: D (LEAVE A REPLY)
This option best demonstrates the board of directors ' governance over internal control by illustrating their role in ensuring the continuity and integrity of leadership, which is a crucial aspect of the internal control environment. Succession planning, especially for top leadership positions, is a critical governance role that impacts the organization ' s strategy and risk management practices.
Institute of Internal Auditors (IIA) - Guidelines on Governance Roles of Boards

NEW QUESTION: 221
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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.
IIA Standard 1300: Quality Assurance and Improvement Program.
IIA Standard 1312: External Assessments.

NEW QUESTION: 222
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Answer: (SHOW ANSWER)
Insuring fixed assets is an example of a risk reduction strategy known as risk transfer. By taking out insurance, an organization transfers the financial risk associated with damage or loss of assets to an insurance company. This strategy effectively reduces the organization's exposure to potential losses from such risks.
Risk management frameworks and strategies

NEW QUESTION: 223
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Answer: B (LEAVE A REPLY)
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.
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: 224
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Answer: (SHOW ANSWER)
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.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 225
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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.
Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 226
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Answer: C (LEAVE A REPLY)
The objective of a consulting engagement where the internal audit team is asked to advise on new controls following a high-profile processing error is typically determined collaboratively by the business unit manager and the engagement supervisor. This cooperation ensures that the engagement's goals align with the specific needs of the business unit while adhering to the broader objectives and standards of the internal audit function.
References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 227
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Answer: (SHOW ANSWER)
The oversight of an organization's risk management framework is primarily the responsibility of the board of directors. The board's role includes ensuring that risk

management processes are integrated with overall organizational processes and that the strategies and policies regarding risk management are effectively managed and aligned with the organization's objectives. Operational management, internal auditors, and the head of risk management each play roles within the framework established by the board but do not have overall oversight responsibility.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 228
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Answer: (SHOW ANSWER)

NEW QUESTION: 229
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Answer: B (LEAVE A REPLY)
While internal auditors are not primarily fraud investigators, their role does include a responsibility to demonstrate adequate professional skepticism. This means being alert to conditions that may indicate possible fraud or error while performing audit engagements. Demonstrating skepticism is essential in enabling auditors to conduct thorough and effective audits, especially concerning fraud risks.
Institute of Internal Auditors (IIA) - Practice Advisories on Fraud and Professional Skepticism.

NEW QUESTION: 230

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Answer: B (LEAVE A REPLY)
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.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 231
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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.
IIA Standards 1120 - Objectivity

NEW QUESTION: 232

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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.

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: 233

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Answer: D (LEAVE A REPLY)

Posting the organization ' s code of conduct on its website is a strategy to mitigate cultural risk by promoting transparency and establishing a clear set of behavioral expectations for both employees and stakeholders. This helps in shaping a positive organizational culture where ethical behavior is encouraged and deviations from expected conduct are minimized. By making the code of conduct publicly available, the organization demonstrates its commitment to integrity and ethical behavior, which can enhance trust and accountability.

References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 2110 - Governance, and COSO's Internal Control - Integrated Framework.

NEW QUESTION: 234

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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.
IIA Practice Guide: Fraud and Internal Audit
COSO Fraud Risk Management Guide

NEW QUESTION: 235
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Answer: B (LEAVE A REPLY)
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.
Institute of Internal Auditors (IIA) - Guidelines on Handling Legal and Ethical Issues

NEW QUESTION: 236
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Answer: B (LEAVE A REPLY)
When an internal auditor suspects fraud during an assurance engagement, the first step should be to determine whether any additional audit work needs to be performed. This involves assessing the potential scope and impact of the suspected fraud and deciding on the appropriate audit procedures to confirm or refute the suspicion. This step is crucial to gather sufficient information before taking further actions.
* Option A: Recommending sanctions is premature without confirming the fraud.
* Option C: Launching an investigation is a subsequent step that may require coordination with fraud experts.
* Option D: Requesting immediate remediation is also premature without confirming the fraud.
IIA Standard 1220: Due Professional Care.
IIA Practice Guide: Internal Auditing and Fraud.

NEW QUESTION: 237
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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: 238
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Answer: B (LEAVE A REPLY)
The organization's decision to cease operations in a market due to increasing volatility and uncertainties represents a risk avoidance technique. Risk avoidance involves actions taken to eliminate the exposure to risk entirely, often by discontinuing the activities that generate the risk. In this scenario, by exiting the market, the organization avoids the potential negative impacts associated with the volatile and uncertain environment.

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 ERM Framework: Describes risk avoidance as a strategy where organizations opt to avoid risk by discontinuing the activities that produce the risk.

NEW QUESTION: 239

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Answer: D (LEAVE A REPLY)

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.

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: 240

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Answer: C (LEAVE A REPLY)

Using information from an engagement to assist a friend's business violates the IIA Code of Ethics, as it breaches confidentiality and objectivity. Internal auditors must maintain impartiality and not misuse information for personal or external advantage.

NEW QUESTION: 241
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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.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF), Standard 1312 - External Assessments

NEW QUESTION: 242
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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: 243
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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.
The IIA ' s Code of Ethics, specifically the section on Competency.

NEW QUESTION: 244
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Answer: A ([LEAVE A REPLY]())
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.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 245
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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.

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

NEW QUESTION: 246

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Answer: ([SHOW ANSWER])

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.

The IIA's International Standards for the Professional Practice of Internal Auditing, specifically standards related to independence.

NEW QUESTION: 247

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Answer: C (LEAVE A REPLY)

For general internal audit staff positions, the chief audit executive (CAE) is likely to describe IT requirements as needing to understand IT-related risk and general controls. This requirement is essential for general auditors to evaluate how IT risks impact broader organizational risks and understand basic IT controls without necessarily needing the specialized skills to evaluate IT governance or perform technical IT testing.

General hiring practices for internal auditors as advised by the IIA, focusing on foundational IT knowledge suitable for general audit roles.

NEW QUESTION: 248

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Answer: (SHOW ANSWER)

Intangible assets are indeed categorized as having either a limited life or an indefinite life. Those with a limited life are amortized over their useful life, whereas those with indefinite lives, such as some types of intellectual property, are not amortized but must be tested annually for impairment. This categorization helps in the appropriate financial treatment of intangible assets under accounting standards. References: Financial Accounting Standards Board (FASB) and International Financial Reporting Standards (IFRS) regarding the treatment of intangible assets.

NEW QUESTION: 249

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Answer: D (LEAVE A REPLY)

Ongoing monitoring and periodic internal quality assessments best serve to deter unethical behavior and encourage objectivity among internal auditors. These quality assessments ensure that audit activities conform to professional standards and that auditors uphold principles such as objectivity. This approach provides a structured and systematic review of audit processes and practices, which reinforces the importance of adherence to ethical standards and professional conduct.

IIA guidance on ethics and objectivity, and Standard 1300: Quality Assurance and Improvement Program.

NEW QUESTION: 250

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Answer: B (LEAVE A REPLY)

Organizational independence for the internal audit activity is best evidenced when the chief audit executive (CAE) reports functionally and administratively to the CEO. Functional reporting to the CEO or equivalent position ensures that the internal audit activity has direct access to top management, which supports its independence and the ability to carry out audits without undue influence from management. Administrative reporting to the CEO also helps align the internal audit function's objectives with those of top management, reinforcing its autonomy and authority within the organization.

IIA ' s International Standards for the Professional Practice of Internal Auditing regarding organizational independence.

NEW QUESTION: 251

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Answer: (SHOW ANSWER)

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.

Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing; governance frameworks.

NEW QUESTION: 252

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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.
IIA Standards for the Professional Practice of Internal Auditing related to risk management.

NEW QUESTION: 253
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Answer: C (LEAVE A REPLY)
To help establish the authority of the internal audit activity, an internal audit charter should document the chief audit executive's (CAE ' s) reporting line. This information clarifies the CAE ' s position within the organization, reinforces their independence, and underscores the authority granted to them by the board, which is crucial for enabling the internal audit activity to fulfill its mandate effectively.
IIA Standard 1110 - Organizational Independence, which emphasizes the importance of defining the CAE's reporting lines in the internal audit charter to ensure organizational independence.

NEW QUESTION: 254
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Answer: D (LEAVE A REPLY)
Insisting that the organization ' s code of conduct be applicable to their distributors as well would mitigate the risk of reputational damage. This ensures that all parties representing the organization adhere to the same ethical standards, thereby reducing the likelihood of practices that could harm the organization ' s reputation among customers and other stakeholders.

IIA and corporate governance best practices regarding ethical standards and code of conduct, highlighting how extending these policies to distributors and partners can protect the organization ' s reputation.

NEW QUESTION: 255

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Answer: (SHOW ANSWER)

Consulting engagements are designed to add value and improve an organization ' s operations through advice and counsel. Briefing the organization ' s department managers on how to implement risk management processes into their daily operations is a prime example of a consulting activity. It involves providing expertise and support to enhance the managers ' understanding and implementation of risk management, which is aligned with the IIA ' s definition of consulting services.

IIA Practice Advisory 1000-1: Nature of Work

NEW QUESTION: 256

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Answer: C (LEAVE A REPLY)

An internal audit charter is a formal document that defines the internal audit activity ' s purpose, authority, and responsibility. According to IIA standards, the charter should also establish the internal audit activity ' s position within the organization, including the nature of the chief audit executive ' s functional reporting relationship with the board. This helps ensure that the internal audit activity has sufficient authority and resources, and that there is appropriate oversight by the board.

The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF) - Standards regarding audit charter

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NEW QUESTION: 257
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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.
IIA guidance on risk assessment terms and concepts.

NEW QUESTION: 258
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Answer: D (LEAVE A REPLY)
Preventive controls are designed to prevent fraud or errors before they occur. A code of conduct and whistleblower policy signed by all employees annually helps to establish ethical behavior standards and provides a mechanism for reporting unethical behavior, thereby preventing potential fraud. References:
* Institute of Internal Auditors (IIA) Standards on Internal Control and Fraud Prevention.
* COSO Internal Control Framework.

NEW QUESTION: 259

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Answer: A (LEAVE A REPLY)

The most suitable internal control framework for an organization is one that specifies common best practices for the organization to evaluate and benchmark. This type of framework provides a structured approach to assess and enhance their control environment by aligning it with recognized best practices, facilitating continuous improvement, and enabling benchmarking against industry standards or peer organizations.

References: Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 260

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Answer: B (LEAVE A REPLY)

According to IIA standards, the internal audit activity should assist in maintaining effective controls but should not assume management's responsibilities, such as implementing or ensuring controls, to preserve its independence.

NEW QUESTION: 261

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Answer: A (LEAVE A REPLY)

By deciding that the internal audit activity must have greater access to different parts of the organization, the board of directors is primarily seeking to improve the internal audit authority. This change aims to empower the internal audit activity with the necessary access to records, personnel, and physical properties to conduct thorough and effective assurance work, thereby enhancing the scope and depth of audits.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 262
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Answer: D (LEAVE A REPLY)
In cases where a junior auditor suspects fraud involving an engagement supervisor's associate and the supervisor dismisses these concerns, the most appropriate and ethical action is to escalate the issue to a higher authority within the audit function, such as the chief audit executive (CAE). This ensures that the concern is objectively evaluated and that the auditor adheres to professional standards of independence and objectivity.
Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 263
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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.
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: 264
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Answer: (SHOW ANSWER)

The internal audit activity reporting functionally to the chief financial officer (CFO) can impair an internal auditor's independence. Functionally reporting to the CFO, who may be responsible for areas under audit, could create a conflict of interest and affect the auditor's ability to act independently. This arrangement can compromise the objectivity required for the internal audit function as outlined in the IIA standards.
IIA Standard 1110 - Organizational Independence

NEW QUESTION: 265

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Answer: D (LEAVE A REPLY)

According to the IIA ' s standards, a chief audit executive (CAE) can report that the internal audit activity conforms with the Standards if external assessments are performed at least once every five years and supported by ongoing internal assessments. In this scenario, the most recent external and internal assessments confirm conformance, which allows the CAE to report conformance with the Standards.
The IIA ' s International Standards for the Professional Practice of Internal Auditing, particularly the standards related to quality assurance and improvement programs.

NEW QUESTION: 266

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Answer: C (LEAVE A REPLY)
According to the Institute of Internal Auditors (IIA) standards and guidance, the board of an organization defines the overall responsibilities and expectations of the internal audit activity, including its role in providing consulting services. This oversight aligns with the governance role of the board to ensure that the internal audit activity conforms to the standards and adds value to the organization. The internal audit activity may provide consulting services that are advisory in nature and agreed upon with management, but it is the board that sets the overarching governance framework.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 267
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Answer: D (LEAVE A REPLY)
The most effective way a chief audit executive (CAE) can demonstrate to the board that the internal audit team has the necessary skills to achieve its annual goals is through a competency assessment. This assessment measures and documents the collective skills and knowledge within the internal audit activity, ensuring they align with the requirements of the audit plan and the organization's objectives. Competency assessments can identify gaps and provide a basis for training and development, making it an essential tool for demonstrating capability.
The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 268
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Answer: C (LEAVE A REPLY)
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.
The IIA's Global Technology Audit Guide (GTAG) on Information Technology Controls.
COBIT 5 Framework on Information and Technology Governance.

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Answer: (SHOW ANSWER)
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.
The IIA's International Standards for the Professional Practice of Internal Auditing on proficiency and due professional care.

NEW QUESTION: 270
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Answer: D (LEAVE A REPLY)

To determine the magnitude of risk events, organizations commonly assess both the potential impact of the risk event and its likelihood of occurrence. Impact refers to the extent of the consequences if the risk were to materialize, while likelihood refers to the probability of the risk event occurring. Together, these factors help in quantifying and prioritizing risks, enabling more effective risk management decisions.
Tolerance and appetite (A) are related to the organization ' s willingness to accept certain levels of risk, not directly to assessing the magnitude of specific risk events. Inherent and residual risk (B) describe risk levels before and after controls are applied, respectively. Cost and benefit (C) pertain to evaluating the financial implications and potential returns of risk management strategies.
COSO Enterprise Risk Management Framework
IIA Global Technology Audit Guide (GTAG) " Management of IT Auditing "

NEW QUESTION: 271
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Answer: A (LEAVE A REPLY)
The situation described in option A indicates a lack of due professional care because the engagement supervisor identifies numerous deficiencies in the workpapers, such as missing evidence, incorrect references, and superfluous conclusions. Due professional care requires internal auditors to apply the diligence and skill expected of a reasonably prudent and competent auditor. The presence of these issues suggests that the auditor is struggling to maintain the quality and thoroughness required in audit documentation.
IIA Standard 1220: Due Professional Care
IIA Practice Guide: Audit Documentation

NEW QUESTION: 272
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Answer: (SHOW ANSWER)
According to the IIA Code of Ethics, the principle of competency requires internal auditors to apply the knowledge, skills, and experience needed in the performance of internal audit services. Specifically, the Code of Ethics mandates that internal auditors shall not perform any services for which they lack the necessary skills, unless they obtain appropriate assistance (Option C). This principle ensures that auditors provide professional and competent services, maintaining the quality and reliability of their work.
IIA Code of Ethics: Competency
IIA Standards, Standard 1210: Proficiency and Due Professional Care

NEW QUESTION: 273
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Answer: C (LEAVE A REPLY)
On-the-job training is more effective when it includes ongoing feedback and coaching from experienced team members. This hands-on approach provides real-time learning and adaptation, which can enhance the practical skills of the participants effectively. Feedback and coaching help in correcting mistakes and improving performance iteratively, making the training process dynamic and directly relevant to the work environment.
Best practices in on-the-job training methodologies.

NEW QUESTION: 274
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Answer: C (LEAVE A REPLY)
Ensuring that internal audit staff are regularly informed of changes to policies and procedures is crucial for maintaining due professional care. Regular updates ensure that auditors are aware of current standards, methodologies, and best practices, which helps them perform their duties effectively and with due diligence.
* Option A: Reviewing workpapers after the final engagement report is issued is too late to ensure due professional care.
* Option B: Independent assessments by entry-level staff might not ensure the required objectivity and proficiency.
* Option D: Destroying training documents does not contribute to due professional care and may hinder ongoing training and development efforts.
IIA Standard 1230: Continuing Professional Development.
IIA Standard 1220: Due Professional Care.

NEW QUESTION: 275
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Answer: (SHOW ANSWER)
The personal quality of integrity is most likely the foundation for the relationship where senior management relies on the professional judgment of an internal auditor. Integrity ensures that the auditor conducts her work ethically and objectively, provides truthful and accurate assessments, and adheres to both the standards of the profession and the organization's policies. This quality builds trust and reliability in the auditor's findings and recommendations.
The IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 276
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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.

The Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 277

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Answer: A (LEAVE A REPLY)

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.

Fraud Triangle and organizational behavior literature.

NEW QUESTION: 278

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Answer: D (LEAVE A REPLY)

For a new board chair, the first step to ensure effective leadership involves gaining an understanding of the needs of key stakeholders. This foundational knowledge is critical as it shapes the chair's approach to governance, strategic alignment, and stakeholder engagement, providing a direct line of sight into the expectations and concerns that may influence the organization's direction.

Best governance practices and board leadership guidelines

NEW QUESTION: 279

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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.

COSO Framework for Internal Control, which emphasizes the importance of clear, measurable objectives in effective internal control systems.

NEW QUESTION: 280

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Answer: (SHOW ANSWER)

The most likely actions by a chief audit executive to prevent division management from exaggerating sales reports would be announcing a series of internal audit engagements focusing on compliance with corporate sales-reporting policies and asking the president and the board to issue a statement of corporate policy stressing the importance of accurate management reporting and the negative consequences of intentional misreporting. These actions directly address the behavior of management by establishing oversight and reinforcing the importance of ethical reporting practices through policy reinforcement and targeted audits.

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

NEW QUESTION: 281

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Answer: A (LEAVE A REPLY)

An example of risk monitoring to ensure a system is performing as intended includes checking the progress of risk treatment plans. This involves periodically reviewing and updating the risk treatment actions to ensure they are effective and continue to mitigate risks within the organization appropriately. Monitoring the implementation and effectiveness of these plans is a direct method of evaluating the system ' s performance relative to its intended risk management goals.

Risk management frameworks and monitoring methodologies.

NEW QUESTION: 282

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Answer: (SHOW ANSWER)

The best way for an internal auditor to demonstrate due professional care is to conduct an audit to the same extent that another prudent auditor would under similar circumstances. This involves applying the knowledge, skills, and judgment expected of an auditor in comparable roles or situations, ensuring thoroughness and appropriateness in the conduct of the audit work, and adhering to professional standards and ethical guidelines.

The IIA's International Standards for the Professional Practice of Internal Auditing on due professional care.

NEW QUESTION: 283

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Answer: (SHOW ANSWER)

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.
Risk management frameworks, including COSO and ISO 31000.

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Answer: (SHOW ANSWER)
The authority of the internal audit activity, as outlined in the audit charter, includes having full access to the organization's records, physical property, and personnel necessary to conduct audit engagements. This access is critical for the internal audit activity to perform its duties effectively and independently, ensuring that auditors can obtain the information and resources they need to evaluate the organization's processes and controls comprehensively.
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... The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval." The IIA Practice Guide: "Understanding the Importance of the Internal Audit Charter": Emphasizes the necessity for the internal audit activity to have unrestricted access to organizational records, property, and personnel.

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Answer: (SHOW ANSWER)

IIA standards require that external quality assessments be conducted at least once every five years by an independent assessor. This ensures adherence to quality standards and strengthens the objectivity of the internal audit function.

NEW QUESTION: 286
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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.
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.

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Answer: A (LEAVE A REPLY)

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Answer: C (LEAVE A REPLY)
The internal audit charter is a formal document that outlines the purpose, authority, and responsibility of the internal audit activity. Among its core functions, it specifically grants the internal audit activity the authority to access records, personnel, and physical properties essential for the performance of audit engagements. This access is crucial for enabling auditors to obtain the necessary information to conduct their work effectively and independently.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 289
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Answer: C (LEAVE A REPLY)
Outsourcing a business activity is considered a risk reduction technique. By outsourcing, an organization transfers certain activities to external service providers who possess specialized skills or resources, thereby reducing the associated risks that the organization may face if it had to manage those activities internally.
IIA guidance on risk management techniques

NEW QUESTION: 290
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Answer: A (LEAVE A REPLY)
To determine the adequacy of the control ' s design for adding new vendors into the vendor contract system, a flowchart of the vendor addition process would be the most useful. A flowchart provides a clear and detailed visualization of the process, highlighting each step involved and the controls in place. This allows the auditor to assess whether the design of the control is appropriate and sufficient to mitigate relevant risks. While interviews, confirmations, and cost-benefit analyses provide useful information, they do not offer the same level of detailed insight into the control ' s design as a flowchart does.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 291
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Answer: (SHOW ANSWER)
When there is a growing perception that employees generally evade their responsibilities, management is likely to respond by increasing supervision to ensure tasks are completed properly. This often results in employees being given less autonomy and being monitored more closely to prevent shirking of duties.
References:
* Internal auditing best practices on human behavior and control environments.

NEW QUESTION: 292
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Answer: C (LEAVE A REPLY)
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

NEW QUESTION: 293
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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: 294
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Answer: C ([LEAVE A REPLY]())
Due professional care was applied by the internal auditor. According to IIA guidance, due professional care involves applying reasonable judgment in all audit circumstances. The auditor's decision to extend the scope of testing based on a fraud risk assessment, even though no issues were initially found, represents a judicious use of professional judgment given the potential risk of fraud. The fact that fraud was later discovered does not necessarily imply a lack of professional care, as audits cannot guarantee the detection of all frauds.
IIA Standard 1220 - Due Professional Care

NEW QUESTION: 295
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Answer: C (LEAVE A REPLY)
Organizational governance is the combination of processes and structures that help the organization achieve its objectives. Ethics activities are part of organizational governance, as they reflect the organization's values, culture, and ethical standards. Internal audit can assess the ethics activities by evaluating the design and effectiveness of the ethics program, policies, and procedures.

NEW QUESTION: 296
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Answer: C (LEAVE A REPLY)
According to IIA guidance on the quality assurance and improvement program:
* Monitoring of the internal audit activity's performance must indeed be ongoing to ensure continuous improvement.
* All aspects of the internal audit activity should be evaluated, not just selected parts.
IIA Standard 1300 - Quality Assurance and Improvement Program

NEW QUESTION: 297
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Answer: A (LEAVE A REPLY)
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.
IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management IIA Standard 2120: Risk Management

NEW QUESTION: 298
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Answer: (SHOW ANSWER)
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.
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: 299
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Answer: B ([LEAVE A REPLY](#))

Due professional care is the care and skill expected of a reasonably prudent and competent internal auditor. It requires internal auditors to follow the IPPF. 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. Therefore, option B is an appropriate statement.

NEW QUESTION: 300

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

The scenario where the chief audit executive (CAE) declines a request to review and provide feedback on strategic plans for a merger due to the team ' s lack of experience with mergers demonstrates internal audit proficiency. Proficiency in internal auditing involves understanding and applying knowledge, skills, and competencies to perform tasks according to professional standards. Recognizing the limitations of the audit team ' s expertise and declining engagements that exceed their proficiency safeguards the quality and reliability of the audit function.

IIA Standard 1210 - Proficiency, which mandates that internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

NEW QUESTION: 301

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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.
Association of Certified Fraud Examiners (ACFE) - Fraud Triangle Theory

NEW QUESTION: 302
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Answer: A (LEAVE A REPLY)
Approval of master file change requests by the accounts payable supervisor could have prevented the fraud described. This control ensures that changes to critical financial information, such as vendor payment details, are verified and authorized by a responsible authority, thereby reducing the risk of unauthorized alterations and fraud.
IIA guidance on internal controls related to fraud prevention, which emphasizes the importance of control activities such as supervisory approvals for changes in critical financial data to prevent unauthorized transactions.

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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.
The IIA's Code of Ethics and International Standards for the Professional Practice of Internal Auditing on objectivity and conflict of interest.

NEW QUESTION: 304
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Answer: C (LEAVE A REPLY)
The statement that a lack of controls is acceptable if the risk is reduced to an acceptable level in some other way is true. Risk management involves identifying, assessing, and responding to risks to achieve the objectives of the organization. If a risk can be mitigated to an acceptable level through alternative means other than traditional controls, such as risk avoidance or risk transfer, this approach can be deemed acceptable.
Risk management standards and frameworks, such as COSO and ISO 31000.

NEW QUESTION: 305
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Answer: C (LEAVE A REPLY)
It would be considered problematic for the chief audit executive (CAE) to provide assurance services over the payroll function if, prior to becoming the CAE, the CAE was the payroll manager. This scenario poses a conflict of interest and impacts the objectivity required for assurance services, as the CAE might have inherent biases or a conflict due to previous roles and responsibilities within the payroll function.
The Institute of Internal Auditors (IIA) - Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

NEW QUESTION: 306

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Answer: (SHOW ANSWER)
When an organization has a high level of risk maturity, the internal audit activity is less likely to provide consulting services related to risk management. In highly mature risk environments, organizations typically have well-established risk management processes and capabilities, thereby reducing the need for consulting services from internal audit in this area. Instead, internal audit may focus more on assurance services over the existing risk management processes to ensure they are functioning as intended.
Risk management and internal audit literature discussing the relationship between organizational risk maturity and the role of internal audit.

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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.
IIA Practice Guide: Internal Auditing and Fraud
ACFE ' s Fraud Prevention Resources

NEW QUESTION: 308
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Answer: (SHOW ANSWER)
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.
Institute of Internal Auditors (IIA) Standards and Guidelines.

NEW QUESTION: 309
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Answer: B (LEAVE A REPLY)
To ensure that auditors develop the appropriate skills for conducting audits, the internal audit activity should encourage continuous professional development and may institute policies promoting certification attainment.
This approach directly supports the development of a proficient audit team equipped with the necessary skills and knowledge to conduct effective audits. Policies that encourage earning certifications such as Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), etc., directly contribute to this objective by setting professional development as a priority within the audit function.
The IIA's Guidelines on Continuing Professional Development and Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 310
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Answer: D (LEAVE A REPLY)
The duties that should not be performed by the same person to ensure adequate segregation of duties include recording cash receipts and preparing bank reconciliations.

Combining these duties in one individual can lead to potential fraud or errors not being detected within the cash management processes.
Common principles of internal control regarding segregation of duties, aimed at preventing fraud and errors by ensuring no one individual has control over all aspects of a financial transaction.

NEW QUESTION: 311
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Answer: C (LEAVE A REPLY)
The use of benchmarking research to support the preparation of a report on control deficiencies demonstrates critical thinking. This skill involves analyzing and evaluating information from multiple sources to form a well-rounded view of the audit area, leading to significant findings and effective recommendations in the audit report.
Commonly recognized audit practices and skills as documented in auditing literature and the IIA's Competency Framework.

NEW QUESTION: 312
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Answer: A (LEAVE A REPLY)
The scenario described involves a self-review threat, which arises when auditors review work that they previously performed or were involved in. In this case, since the CAE had initially established and managed the risk management function before a chief risk officer took over, engaging an external resource to audit this function mitigates the threat to objectivity by ensuring an independent review. This action avoids potential bias and maintains the integrity of the audit process.
IIA guidance on objectivity and conflicts of interest.

NEW QUESTION: 313

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Answer: (SHOW ANSWER)

To achieve conformance with the Standards, the chief audit executive must include the activity of reporting the results of the quality assurance and improvement program (QAIP) to senior management and the board.

This is essential for maintaining transparency and accountability in the internal audit activity's efforts to uphold and enhance the quality of its operations.

IIA Standard 1300: Quality Assurance and Improvement Program.

NEW QUESTION: 314

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Answer: B (LEAVE A REPLY)

An internal audit client survey is a tool that collects feedback from audit clients regarding the performance and effectiveness of internal auditors. This survey can highlight areas where a staff internal auditor may need improvement, including business acumen. Client feedback is direct and relevant, offering insights into how well the auditor understands the business context and applies this knowledge during audits.

* Option A: A quality assessment review focuses on the overall quality of the internal audit activity, not on individual staff business acumen.

* Option C: A control self-assessment involves self-evaluation of controls within business units, not directly addressing individual auditor ' s skills.

* Option D: A peer review assesses the internal audit activity ' s adherence to standards but does not specifically target business acumen of individual auditors.

IIA ' s Quality Assessment Manual.

IIA Practice Guide: Client Surveys.

NEW QUESTION: 315

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Answer: C (LEAVE A REPLY)
The concept of due professional care in internal auditing involves applying the care and skill expected of a reasonably prudent and competent auditor. This includes understanding the appropriate steps and techniques for various types of engagements, including consulting engagements. Demonstrating a good understanding of the steps involved in carrying out a consulting engagement (Option C) aligns with the IIA Standard 1220: Due Professional Care, which requires internal auditors to apply the necessary care and skill in their work. This understanding is essential for executing their duties effectively and ensuring that engagements are conducted with appropriate rigor and thoroughness.
IIA Standards, Standard 1220: Due Professional Care
IIA ' s International Professional Practices Framework (IPPF)

NEW QUESTION: 316
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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.
Institute of Internal Auditors (IIA) Standards, specifically Standard 1210 on Proficiency.

NEW QUESTION: 317

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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.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 318

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Answer: B (LEAVE A REPLY)

According to the Standards, internal audit professional development plans must ensure that staff development activities are based primarily on the skills and competencies needed to complete the audit plan. This requirement ensures that the internal audit staff possesses the necessary expertise and capabilities to effectively carry out the planned audit activities.
IIA Standards related to Continuing Professional Development and Staff Proficiency.

NEW QUESTION: 319

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Answer: (SHOW ANSWER)

Independence is a fundamental principle for internal auditing, ensuring that internal auditors are free from conditions that threaten their ability to carry out their responsibilities in an unbiased manner. Scenario B presents a clear impairment to independence because management ' s reduction of the internal audit budget, leading to the removal of all IT-related engagements from the audit plan, could limit the internal audit activity ' s ability to objectively assess areas critical to the organization's risk profile. This type of management interference compromises the scope and depth of internal audit activities, impacting their ability to provide an unbiased assurance.

IIA Standard 1100: Independence and Objectivity

IIA Standard 1110: Organizational Independence

NEW QUESTION: 320

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Answer: A (LEAVE A REPLY)

In a consulting engagement, especially when dealing with specific systems like a new payroll system, the scope of the engagement would typically be agreed upon between the internal auditor and the engagement client. This includes defining what aspects of the new payroll system will be evaluated. Such agreements are fundamental in consulting engagements to ensure that the auditor ' s activities align with the client ' s expectations and needs.

IIA Standards for Professional Practice of Internal Auditing

NEW QUESTION: 321

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Answer: B (LEAVE A REPLY)
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: 322
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Answer: A (LEAVE A REPLY)
Segregating duties between code development and migrating changes into production is a critical control to prevent fraudulent activities by developers. This control ensures that no single individual has the ability to develop code and deploy it to the production environment without oversight. Key benefits include:
* Reducing the risk of unauthorized or malicious code changes.
* Ensuring that changes are reviewed and tested by a different team before deployment.
* Increasing accountability and transparency in the software development lifecycle.
By implementing this control, organizations can prevent developers from committing fraud or making unapproved changes to the ERP system, thereby protecting the integrity and security of the system.
The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
COBIT (Control Objectives for Information and Related Technologies) framework.
" Internal Auditing: Assurance & Advisory Services " by IIA, Chapter on IT General Controls and Segregation of Duties.

NEW QUESTION: 323

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Answer: A (LEAVE A REPLY)

Comparing vendor addresses to employee addresses is a common audit test to detect fictitious invoices.

Fictitious invoices are often created by employees who use their addresses or addresses of associates as vendor addresses to facilitate fraud.

* Option B: Matching cancelled checks to invoices ensures payment was made but does not specifically detect fictitious invoices.

* Option C: Searching for duplicate payments addresses duplicate invoices but not necessarily fictitious ones.

* Option D: Checking employee bank records could indicate fraud but is invasive and less direct than comparing addresses.

IIA Practice Guide: Fraud Detection.

COSO Fraud Risk Management Guide.

NEW QUESTION: 324

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Answer: D (LEAVE A REPLY)

According to the IIA ' s Code of Ethics and professional standards, internal auditors must maintain their independence and objectivity. However, they can provide training or advisory services as long as it does not impair these qualities. In this case, the internal auditor can accept the request to deliver training on the organization's third-party risk management process if she clearly defines the scope and ensures that it aligns with the principles of integrity, objectivity, confidentiality, and competency. This means the auditor should not take on management responsibilities and should ensure that the training is within the boundaries of providing advice and guidance without making decisions or taking actions on behalf of management.

IIA Code of Ethics
IIA Standard 1130: Impairment to Independence or Objectivity

NEW QUESTION: 325
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Answer: (SHOW ANSWER)
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.
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: 326
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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.
IIA Practice Guide: Internal Audit ' s Role in Corporate Social Responsibility ISO 26000: Guidance on Social Responsibility

NEW QUESTION: 327
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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.
IIA Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 328
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Answer: A (LEAVE A REPLY)
Nonconformance with the Standards that requires disclosure to the board includes the failure to conduct external assessments within the timeframe stipulated by the IIA standards. Specifically, Standard 1312 requires that an external quality assessment must be conducted at least once every five years. Not completing this assessment within the last seven years constitutes a nonconformance that must be reported.
Institute of Internal Auditors (IIA) Standards, specifically Standard 1312 on External Assessments.

NEW QUESTION: 329
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Answer: B (LEAVE A REPLY)
To provide effective governance over the organization ' s culture, the organization ' s governing body should provide direction. This involves setting a tone at the top that promotes ethical behavior, accountability, and transparency throughout the organization. Providing direction helps ensure that organizational values are communicated and reinforced, influencing the culture and ethical climate of the entire organization.
IIA guidance on governance and leadership's role in organizational culture.

NEW QUESTION: 330
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Answer: (SHOW ANSWER)
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.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 331
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Answer: D (LEAVE A REPLY)
In The IIA ' s Three Lines Model, internal audit (the third line) should be aligned with first- and second-line functions through effective communication, cooperation, and collaboration (Option D). This alignment ensures that internal audit activities are coordinated with risk

management and control functions while maintaining independence. According to the Three Lines Model, internal audit adds value by providing independent assurance on the effectiveness of governance, risk management, and control processes, which requires ongoing interaction with the first and second lines without compromising objectivity.
IIA ' s Three Lines Model
IIA Standards, Standard 2050: Coordination and Reliance

NEW QUESTION: 332
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Answer: (SHOW ANSWER)
The board manages the process of developing, approving, and executing the strategic plan of the organization to ensure adequate governance. This responsibility includes aligning the strategic plan with the organization ' s goals and monitoring its execution, which is a key governance role.
Corporate governance principles; IIA guidance on the role of the board in strategic planning.

NEW QUESTION: 333
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Answer: A (LEAVE A REPLY)
Strategic objectives are prerequisites to establishing internal controls. This is because internal controls are designed to ensure that the actions taken by an organization align with its strategic objectives, helping to manage risks that could impede the organization from achieving these goals.

COSO Framework and IIA guidance on internal controls.

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Answer: D ([LEAVE A REPLY])
The key difference between assurance services and consulting services is that other employees in the organization can provide consulting services, but only an internal audit activity can provide assurance services. This distinction is important because assurance services require a level of independence and adherence to specific standards that are unique to the internal audit profession. References: IIA definitions and standards for assurance and consulting services, which delineate the roles and limitations of these services within internal audit practices.

NEW QUESTION: 335
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Answer: ([SHOW ANSWER])
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.
The IIA ' s International Standards for the Professional Practice of Internal Auditing on the nature of assurance and consulting services.

NEW QUESTION: 336
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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.
IIA standards which emphasize the importance of auditors understanding fraud risks as part of their professional competence requirements.

NEW QUESTION: 337
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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.
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: 338
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Answer: D ([LEAVE A REPLY](#))

According to the IIA Standards, internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which IT is managed. This includes understanding their organization's IT governance, risk, and control processes (Option D). Standard 1210.A3 specifies that internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. This ensures that auditors can effectively assess and contribute to the improvement of the organization's IT governance and control environment.

IIA Standards, Standard 1210.A3: Proficiency - Technology-based Audit Techniques IIA's International Professional Practices Framework (IPPF)

NEW QUESTION: 339

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

The most appropriate next step when the external reviewer and the chief audit executive cannot agree on the importance of several deficiencies is for the reviewer to issue the report, noting the deficiencies with comments that address the areas of disagreement. This approach allows for a balanced presentation of the findings, ensuring that senior management and other stakeholders are aware of both the deficiencies and the differing perspectives regarding their significance.

Best practices in handling disagreements during external quality assurance reviews, as recommended by IIA guidance on quality assurance.

NEW QUESTION: 340

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Answer: ([SHOW ANSWER](#))

If there are unresolved scope restrictions, the chief audit executive (CAE) should consider whether to pursue the audit and note the scope restrictions in the audit report. This is important because scope restrictions can limit the audit's ability to fully assess the control environment, and documenting these limitations helps ensure that the audit report reflects the extent to which the auditor was able to evaluate the control environment.
The IIA's International Standards for the Professional Practice of Internal Auditing regarding scope limitations and reporting.

NEW QUESTION: 341
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Answer: (SHOW ANSWER)
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.
Risk management terminology and frameworks.

NEW QUESTION: 342
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Answer: A (LEAVE A REPLY)
The role of the board in organizational governance most accurately involves the responsibility for the outcome of the process. This encompasses overseeing the strategic direction of the organization, ensuring that corporate objectives are met, and that the management's activities align with the overall strategic vision and risk appetite of the organization. The board's oversight role is crucial in ensuring effective governance and accountability throughout the organization.
The Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing

NEW QUESTION: 343
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Answer: C (LEAVE A REPLY)
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.
IIA ' s International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement Programs.

NEW QUESTION: 344
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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.
IIA's guidelines on Continuing Professional Development and standards for maintaining competency.

NEW QUESTION: 345
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Answer: C (LEAVE A REPLY)

ISO 31000 outlines risk management principles and guidelines, including the consideration of external context in the risk management process. The external context refers to the environment in which the organization operates. This includes, but is not limited to, cultural, social, political, legal, regulatory, financial, technological, economic, and competitive environments, both international and national. Therefore, option C, "The regulatory and competitive environment," is part of the external context for risk management according to ISO 31000.
ISO 31000:2018, Risk management - Guidelines

NEW QUESTION: 346
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Answer: D (LEAVE A REPLY)
To ensure conformance with the Standards, the most appropriate action for the CAE is to request that an external assessor validate the results of the internal assessment and review the remaining offices. This approach ensures an independent and objective evaluation, as required by IIA Standard 1312, which mandates external assessments at least once every five years.
* Option A: Delaying the external assessment does not comply with the required five-year cycle.
* Option B: Implementing improvements based on the internal assessment alone lacks external validation.
* Option C: Having a regional office perform assessments does not meet the requirement for an external assessment.
IIA Standard 1312: External Assessments.
IIA Quality Assessment Manual.

NEW QUESTION: 347
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Answer: C (LEAVE A REPLY)
Assigning compliance responsibilities to the chief audit executive (CAE) can impair the internal audit activity
' s independence. When the CAE has operational responsibilities, such as compliance, it may lead to a conflict of interest or self-review, both of which can compromise the independence required to objectively assess and report on the organization's risks and controls.References: Institute of Internal Auditors (IIA) - International Standards for the Professional Practice of Internal Auditing, particularly those concerning independence and objectivity.

NEW QUESTION: 348
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Answer: C (LEAVE A REPLY)
If fraud is suspected during an audit engagement, the internal audit activity should first expand audit testing to gather sufficient and appropriate evidence to confirm or dispel the suspicion. This may involve applying additional or alternative audit procedures, such as data analysis, interviews, observations, or confirmations.

NEW QUESTION: 349
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Answer: A ([LEAVE A REPLY]())

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.

IIA Standard 1210 - Proficiency

NEW QUESTION: 350

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

When the Chief Audit Executive (CAE) reports to the Chief Financial Officer (CFO), there is a potential risk of impairing the independence and objectivity of the internal audit function. This reporting relationship might limit the scope of audit engagements, especially in areas that could affect the CFO, such as financial reporting or other areas directly under the CFO's control. The CAE should ideally report functionally to the board or audit committee to maintain independence, as suggested by The IIA standards.

IIA Standard 1110: "Organizational Independence"

NEW QUESTION: 351

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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.
Internal auditing educational materials on auditor competencies and skills development

NEW QUESTION: 352
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Answer: B (LEAVE A REPLY)
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.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 353
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Answer: B (LEAVE A REPLY)
The most accurate statement with respect to the required elements of the quality assurance and improvement program is that quality assessments focus on the internal audit activity ' s structure, relationships with stakeholders, compliance with the Standards,

and internal audit staff proficiency. This description aligns with the IIA's standards on quality assurance, emphasizing the comprehensive scope of internal assessments, which are integral for ensuring the internal audit function operates effectively and adheres to professional standards.
IIA's International Standards for the Professional Practice of Internal Auditing and Guidance on Quality Assurance.

NEW QUESTION: 354
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Answer: D (LEAVE A REPLY)
The most effective technique for an internal auditor during interviews is to appear confident but not arrogant, as per option D. This approach helps maintain professionalism and facilitates open communication, which is crucial for gathering accurate information. This technique aligns with the IIA's guidelines on effective communication and professionalism during audit engagements. The other options could potentially lead to misunderstandings or might not create an environment conducive to honest and clear communication.
IIA Practice Advisory on Interviewing Techniques

NEW QUESTION: 355
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Answer: (SHOW ANSWER)
Audit logs are crucial for monitoring and reviewing the activities within IT systems, especially those processing personal data. The lack of audit logs presents a significant IT-related risk as it undermines the ability to trace any unauthorized or inappropriate access and actions within the system, thereby impacting the integrity and security of data.
Best practices in IT security and internal control frameworks like COBIT and ISO/IEC 27001.

NEW QUESTION: 356
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Answer: (SHOW ANSWER)
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.
Best practices in facilitating workshops and internal auditor competency requirements as outlined in professional development resources and the IIA's standards.

NEW QUESTION: 357
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Answer: C (LEAVE A REPLY)
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.
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: 358
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Answer: B (LEAVE A REPLY)
Requiring the matching of a purchase order (PO), receiving report, and invoice before payment is a robust control designed to prevent overpayment and other types of fraudulent activities related to vendor payments.
This control ensures that:
* The goods or services invoiced were actually ordered (verified by the purchase order).

* The goods or services were received (verified by the receiving report).
* The invoice amount matches the agreed-upon terms and quantities (verified by the invoice).

This three-way match process helps prevent discrepancies such as overpayments, duplicate payments, or payments for goods/services not received. By ensuring all three documents align, it mitigates the risk of fraud and errors in vendor payments.
The Institute of Internal Auditors (IIA) Standards and Practice Advisories.
COSO Internal Control - Integrated Framework, specifically on control activities.
"Internal Auditing: Assurance & Advisory Services" by IIA, Chapter on Procurement and Accounts Payable Controls.

NEW QUESTION: 359
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Answer: (SHOW ANSWER)
The development and detailed review of key performance indicator (KPI) reports during monthly staff meetings primarily address potential communication failures. This activity ensures that all team members are aware of the department's performance, expectations, and areas needing attention, thus enhancing transparency and communication within the department.
Management and organizational theory on performance management and communication; IIA guidance on operational effectiveness.

NEW QUESTION: 360
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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.

Internal control frameworks, such as COSO (Committee of Sponsoring Organizations of the Treadway Commission).

NEW QUESTION: 361

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Answer: (SHOW ANSWER)

An internal auditor exercises due professional care by enhancing knowledge, skills, and other competencies through ongoing professional development. This action is essential to maintain the necessary proficiency and competency in performing audit tasks, thereby ensuring the quality and effectiveness of the audit work aligns with professional standards and meets the evolving needs of the organization.
Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 362

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Answer: D (LEAVE A REPLY)

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.

Institute of Internal Auditors (IIA) - Core Competencies for Today's Internal Auditor

NEW QUESTION: 363

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Answer: C (LEAVE A REPLY)

Understanding the corporate culture is fundamental for an internal auditor assessing the opportunity for fraud within an organization. Corporate culture influences how rules, norms, and behaviors are developed and enforced. It provides context to the risk environment and the potential for fraud to occur, facilitating more targeted and effective audit strategies focused on fraud risks.

Institute of Internal Auditors (IIA) - International Professional Practices Framework (IPPF)

NEW QUESTION: 364

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Answer: C (LEAVE A REPLY)

Internal audit activities are expected to contribute to the improvement of the organization ' s governance processes. To effectively fulfill this role, internal auditors must work with the board to agree on the scope of their governance assessments. This includes defining the range of activities to be reviewed, the depth of these reviews, and the time period covered. Achieving this agreement ensures that the internal audit ' s evaluation aligns with the board ' s expectations and the organization ' s strategic objectives, thereby enhancing the overall governance framework.

IIA Standard 2110: Governance

IIA Practice Guide: Assessing Organizational Governance

NEW QUESTION: 365

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Answer: D (LEAVE A REPLY)

To gain experience in environmental, social, and corporate governance (ESG) initiatives, the internal auditor would benefit most from direct exposure to the organization ' s strategic discussions and decisions related to these areas. Attending committee meetings focused on strategic community awareness will provide the auditor with insights into current ESG practices, challenges, and strategic goals. This involvement will enhance the auditor ' s understanding of ESG issues and contribute to their professional development plan effectively. References: The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), specifically Standard 1230 - Continuing Professional Development, and Standard 2100 - Nature of Work.

NEW QUESTION: 366

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Answer: B (LEAVE A REPLY)

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.

IIA guidance on implementing risk management frameworks

NEW QUESTION: 367

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Answer: A (LEAVE A REPLY)

Before performing any detailed analysis to identify potential fraud, it is essential to first ensure that the data being analyzed is complete and accurate. This helps to ensure that subsequent tests and analyses are based on reliable information. References:
* IIA ' s International Professional Practices Framework (IPPF) - Standards related to data integrity and reliability.
* IIA Standard 2320 - Analysis and Evaluation.

NEW QUESTION: 368
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Answer: (SHOW ANSWER)
A risk management framework is a system for identifying, evaluating and prioritising risks and minimising their impact. 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. 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.

NEW QUESTION: 369
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Answer: A (LEAVE A REPLY)
While a segregation-of-duties policy primarily mitigates the risk of a single individual perpetrating fraud, it introduces the increased risk of collusion between parties. Collusion can circumvent the controls established by the segregation of duties, making it a significant concern for internal auditors to monitor in environments where duties are segregated.
Institute of Internal Auditors (IIA) - Practice Advisories on Assessing Fraud Risks

NEW QUESTION: 370
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Answer: C (LEAVE A REPLY)
The situation that presents the lowest risk of impairing an internal audit activity's independence is when senior management provides feedback on the scope of the internal audit plan. This allows for collaborative planning while still maintaining the internal audit's independence in performing its duties, as the final audit scope decisions remain with the internal audit activity.
IIA standards on independence, which discuss the need for internal audit to maintain control over audit scopes while considering input from senior management to ensure relevant and effective audit coverage.

NEW QUESTION: 371
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Answer: C (LEAVE A REPLY)
Board endorsement of the internal audit plan strengthens organizational independence by ensuring that internal audit activities align with governance priorities rather than management ' s interests, in line with IIA standards.

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Answer: C (LEAVE A REPLY)
According to guidance on corporate responsibility and sustainability, the primary reason to implement environmental and social safeguards within an organization is to achieve and maintain sustainable development. These safeguards help ensure that the organization's operations do not adversely affect the environment or society, supporting long-term sustainability goals, which is a core aspect of modern corporate governance and ethics.
Sustainability and environmental management guidance from international standards such as ISO 14001 and the Global Reporting Initiative (GRI).

NEW QUESTION: 373

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Answer: (SHOW ANSWER)

Ongoing monitoring activities are part of the internal assessments within a quality assurance and improvement program (QAIP). Planning and supervising engagements are integral components of ongoing monitoring.

These activities ensure that internal audit engagements are properly planned, executed, and supervised, adhering to established standards and procedures. They help in continuously assessing the performance and effectiveness of the internal audit function and ensuring compliance with professional standards.

IIA Standard 1300: Quality Assurance and Improvement Program

IIA Practice Guide: Quality Assurance and Improvement Program

NEW QUESTION: 374

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Answer: (SHOW ANSWER)

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.

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.