

IIA

Exam Questions IIA-CHAL-QISA

Qualified Info Systems Auditor CIA Challenge Exam



NEW QUESTION 1

Which of the following processes does the board manage to ensure adequate governance?

- A. Establish and measure performance objectives for the internal audit activity
- B. Select board members with necessary knowledge and skills.
- C. Develop, approve, and execute the strategic plan of the organization
- D. Develop strategies to mitigate the risks to achieving the organization's objectives

Answer: C

Explanation:

The board manages several key processes to ensure adequate governance within an organization, one of which is the development, approval, and execution of the strategic plan. This process is critical because it defines the organization's direction, goals, and the actions required to achieve these goals.

? Strategic Planning: The board plays a pivotal role in setting the organization's strategic direction, which includes establishing long-term goals and defining the means to achieve them.

? Performance Measurement: While the board may establish and measure performance objectives for the internal audit activity, this is part of a broader governance framework.

? Risk Management: The board also develops strategies to mitigate risks, ensuring that the organization can achieve its objectives effectively. Thus, the most comprehensive governance-related process managed by the board involves strategic planning

NEW QUESTION 2

Which of the following types of policies best helps promote objectivity in the internal audit activity??s work?

- A. Policies that are distributed to all members of the internal audit activity and require a signed acknowledgment.
- B. Policies that match internal auditors' performance with feedback from management of the area under review
- C. Policies that keep internal auditors in areas where they have vast audit expertise.
- D. Policies that provide examples of inappropriate business relationships

Answer: D

Explanation:

Promoting objectivity in internal auditing involves ensuring that auditors avoid conflicts of interest and maintain independence in both fact and appearance. Policies that clearly define and give examples of inappropriate business relationships help auditors understand and avoid situations that could impair their objectivity.

: IIA Standard 1120 (Individual Objectivity) emphasizes the importance of internal auditors maintaining an unbiased mindset and avoiding conflicts of interest.

NEW QUESTION 3

Which of the following activities demonstrates an example of the chief audit executive performing residual risk assessment?

- A. Cost-benefit analysis of management not implementing a recommendation to address an observation.
- B. Inquiry of corrective action to be completed within a certain period
- C. Reporting the status of every observation for every engagement in a detailed manner.
- D. Soliciting management's feedback after completion of the audit engagement.

Answer: A

Explanation:

Performing a cost-benefit analysis when management decides not to implement a recommendation is a prime example of residual risk assessment. This involves evaluating the potential impacts and remaining risks associated with the decision, thereby determining the residual risk that the organization will continue to face.

? Cost-Benefit Analysis: This helps in understanding the financial implications and benefits that would have been realized had the recommendation been implemented versus the risks of not implementing it.

? Risk Assessment: By assessing the residual risk, the CAE can provide a clearer picture of the ongoing risks that the organization needs to manage.

? Management Decision Impact: This analysis assists in making informed decisions and understanding the trade-offs involved in addressing audit observations. References:

? "Audit and Assurance Services: An Integrated Approach," which explains residual risk assessment and the importance of cost-benefit analysis in audit recommendations .

NEW QUESTION 4

According to IIA guidance, which of the following most appropriately justifies the CEO??s decision that the internal audit activity shall be responsible for risk management and Investigation at multinational organization?

- A. The recommendation of the parent office external auditors.
- B. The provisions of the internal audit charter.
- C. The authority of the CEO.
- D. The level of proficiency of the chief audit executive

Answer: B

Explanation:

Role of Internal Audit Charter: The internal audit charter is a formal document that defines the purpose, authority, and responsibility of the internal audit activity. It establishes the internal audit activity??s position within the organization, including the nature of the chief audit executive??s functional reporting relationship with the board.

CEO??s Decision Justification: According to IIA guidance, the internal audit activity can take on responsibilities related to risk management and investigation if it is defined within the internal audit charter. The charter must outline the scope of the internal audit activity, which can include risk management functions if approved by the board and senior management.

Authority and Proficiency: While the CEO has the authority to assign responsibilities, the decision must align with the provisions of the internal audit charter. The

level of proficiency of the CAE and the recommendation of external auditors can support the decision but are not primary justifications.

IIA Standards: Standard 1000 – Purpose, Authority, and Responsibility – requires that the internal audit activity's purpose, authority, and responsibility be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework.

References:

? The internal audit charter is the primary document that justifies the scope and responsibilities of the internal audit activity, including risk management and investigation roles. It ensures that such roles are formally acknowledged and authorized by the board and senior management.

NEW QUESTION 5

When reviewing workpapers, engagement supervisors may ask for additional evidence or clarification via review notes. According to IIA guidance, which of the following statements is true regarding the engagement supervisors review notes?

- A. The review notes may be cleared from the final documentation once the engagement supervisors concerns have been addressed
- B. Management of the area under review must address the engagement supervisors review notes before the audit report can be finalized.
- C. The chief audit executive must initial or sign the engagement supervisors review notes to provide evidence of appropriate engagement supervision.
- D. Review notes provide documented proof that the engagement is supervised properly and must be retained for the quality assurance and improvement program

Answer: A

Explanation:

? Introduction:

? IIA Guidance on Review Notes:

? Options Analysis:

? Conclusion:

:IIA's International Professional Practices Framework (IPPF).

NEW QUESTION 6

A regional entertainment organization is in the process of developing a corporate social responsibility (CSR) policy. Management invites ideas from employees when developing the CSR policy Which of the following is the most appropriate idea to include?

- A. Management has overall responsibility for the effectiveness of governance, risk management, and internal control processes associated with CSR.
- B. The board is responsible for ensuring that CSR objectives are established, risks are managed, performance is measured, and activities are appropriately monitored and reported
- C. Management is responsible for ensuring that the organization's CSR principles are communicated, understood, and integrated into decision-making processes.
- D. Generally, CSR activities are limited to the management of the organization, thus, employees do not have a responsibility for ensuring the success of CSR objectives.

Answer: C

Explanation:

CSR Policy Development: In developing a Corporate Social Responsibility (CSR) policy, it is important that the principles of CSR are communicated and understood throughout the organization.

Integration into Decision-Making: Management's responsibility includes ensuring that CSR principles are not only communicated but also integrated into the organization's decision-making processes at all levels. This ensures that CSR is part of the organizational culture and operational strategies.

Board's Role: While the board has a role in overseeing and ensuring that CSR objectives are established and risks are managed, the day-to-day responsibility for integrating CSR into business operations lies with management.

IIA Guidance: According to IIA guidance, internal auditors should evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities, which include CSR initiatives (Standard 2110 - Governance).

References:

? Effective communication and integration of CSR principles ensure that the organization operates in a socially responsible manner, aligning its business practices with societal expectations and contributing to sustainable development.

NEW QUESTION 7

With regard to project management, which of the following statements about project crashing is true?

- A. It leads to an increase in risk and often results in rework.
- B. It is an optimization technique where activities are performed in parallel rather than sequentially
- C. It involves a revaluation of project requirements and/or scope.
- D. It is a compression technique in which resources are added to the project

Answer: D

Explanation:

Project crashing is a schedule compression technique used in project management to shorten the project duration without changing the project scope. It involves adding additional resources to critical path activities to complete them faster. This method can lead to increased costs but aims to reduce the project timeline effectively. Crashing is often used when project deadlines are tight and time is more critical than budget.

: Project Management Institute (PMI) defines project crashing as a technique used to

shorten the schedule duration for the least incremental cost by adding resources. This is detailed in the PMBOK Guide (Project Management Body of Knowledge).

NEW QUESTION 8

Which of the following is the primary engagement responsibility of an entry-level internal auditor?

- A. Leadership
- B. Documentation.
- C. Analysis.
- D. Reporting

Answer: B

Explanation:

Primary Responsibilities: For entry-level internal auditors, the primary responsibilities focus on learning and supporting tasks. Documentation is a key responsibility as it involves recording the findings and work performed during an audit engagement. This helps in building a foundation for understanding audit processes and methodologies.

: IIA's Global Internal Audit Competency Framework emphasizes documentation as a core skill for entry-level auditors.

Other Responsibilities:

Leadership: Typically a responsibility for more experienced auditors.

Analysis and Reporting: While entry-level auditors may assist with analysis and reporting, these tasks are generally more advanced and require a deeper understanding of audit processes.

NEW QUESTION 9

Which of the following internal audit activity staffing models has the disadvantage that auditors are always new and in training?

- A. Career model
- B. Center of competence model.
- C. Rotational model.
- D. Hybrid model

Answer: C

Explanation:

Understanding Staffing Models: Internal audit activity staffing models vary in structure and approach, each with its advantages and disadvantages. The rotational model involves assigning employees from various departments to the internal audit activity for a fixed period before they rotate back to their original or new roles within the organization. Rotational Model Disadvantages:

? Continuous Training: A key disadvantage of the rotational model is that auditors are often new and in training. This model means that there is a constant influx of new staff who may lack extensive audit experience, requiring continuous training and development efforts.

? Consistency and Expertise: This can impact the consistency and depth of audit expertise within the internal audit activity, as the auditors are frequently changing.

Comparison with Other Models:

? Career Model: Auditors build long-term careers within the internal audit activity, leading to high levels of expertise and consistency.

? Center of Competence Model: This model involves a centralized team of audit professionals who provide specialized audit services across the organization, ensuring high levels of competence.

? Hybrid Model: Combines elements of multiple models to balance the benefits and mitigate the drawbacks of each approach.

References:

? The rotational model's major drawback of auditors always being new and in training highlights the challenges in maintaining a stable and highly skilled audit team. Continuous training efforts are required to ensure the effectiveness of this staffing model.

NEW QUESTION 10

According to IIA guidance, which of the following is a limitation of a heat map?

- A. Impact cannot be represented on a heat map unless it is quantified in financial terms
- B. Impact and likelihood at times cannot be differentiated as to which is more important.
- C. A heat map cannot be used unless a risk and control matrix has been developed.
- D. Qualitative factors cannot be incorporated into a heat map

Answer: B

Explanation:

? Introduction:

? Limitations of Heat Maps:

? Options Analysis:

? Conclusion:

:Internal Audit Standards and Practice Guides .

NEW QUESTION 10

Who is responsible for ensuring internal auditors continuing professional development*

- A. Individual internal auditors
- B. Chief audit executive.
- C. The board
- D. Engagement supervisors

Answer: A

Explanation:

? Introduction:

? Responsibility for CPD:

? Options Analysis:

? Conclusion:

:IIA's Continuing Professional Education Requirements

NEW QUESTION 12

Which of the following is a true statement regarding whistleblowing?

- A. Whistleblowing is one of several possible ethical structures an organization can undertake to encourage ethical behavior.
- B. Whistleblowing programs help employees deal with ethical questions and instill ethical values into everyday behavior
- C. Whistleblowers are current or former employees who are disgruntled and looking to retaliate.

D. Whistleblowers should inform the organization about actual criminal circumstances, not assumed allegations.

Answer: A

Explanation:

? Purpose of Whistleblowing: Whistleblowing is a mechanism that allows employees to report unethical or illegal activities within the organization. It is a vital part of an organization's ethical framework, providing a structured way for concerns to be raised and addressed.

Reference: IIA's Practice Guide on Whistleblowing Programs.

Encouraging Ethical Behavior: By having a whistleblowing program, an organization encourages employees to come forward with concerns, which helps in maintaining ethical standards and preventing misconduct.

Practical Example: Employees who notice financial discrepancies can report these through the whistleblowing system without fear of retaliation, supporting a culture of transparency and accountability.

Other Options Considered:

Option B: While whistleblowing programs can support ethical behavior, they are primarily designed for reporting issues rather than instilling values.

Option C: This is a misconception; whistleblowers often report genuine concerns rather than acting out of retaliation.

Option D: Whistleblowers can report suspected unethical or illegal activities, which may not always be criminal but are still significant for organizational integrity.

Conclusion: The correct answer is A, as whistleblowing is one of several ethical structures that organizations can adopt to encourage reporting of unethical behavior and maintain high ethical standards.

NEW QUESTION 13

A manager has allowed a subordinate employee to have greater control and responsibility over the tasks that he performs. This is an example of which of the following?

- A. Job enlargement
- B. Job enrichment
- C. Horizontal loading of the job.
- D. Job rotation.

Answer: B

Explanation:

Job enrichment involves giving an employee more responsibility and control over their work, which increases the employee's sense of ownership and involvement in the task. This concept is about enhancing the role by adding more meaningful tasks and duties to it, rather than simply increasing the quantity of tasks (which would be job enlargement).

: This concept can be found in management and organizational behavior theories, such as

Herzberg's Two-Factor Theory, which discusses how job enrichment can lead to higher job satisfaction.

NEW QUESTION 14

While conducting an engagement in the procurement department, the internal auditor noticed that the department head's travel reports showed minor travel expenses, and there were no charges for hotels, meals, or transportation. However, the auditor knew that the department head frequently traveled worldwide to meet with suppliers and visit their production sites. Which of the following would be the most appropriate next step for the auditor?

- A. The auditor should make a note of the issue for follow-up when employee travel expenses are audited.
- B. The auditor should analyze trends and changes among the organization's suppliers over the past few years.
- C. The auditor should investigate whether there are any special arrangements regarding senior management travel.
- D. The auditor should analyze the list of destinations the department head visited to estimate typical costs.

Answer: C

Explanation:

? Identifying the Anomaly: The internal auditor has identified a discrepancy in the travel expenses of the department head, who frequently travels yet reports minimal expenses. This raises a red flag that needs further investigation.

? Understanding the Context: It is important to determine if there are legitimate reasons for the discrepancy, such as special arrangements made for senior management travel, which could explain the absence of typical travel expenses like hotels, meals, and transportation.

? Appropriate Next Step: Investigating whether there are any special arrangements for senior management travel (Option C) is the most logical next step. This helps in understanding the context and validating whether the discrepancy is justified or indicative of potential issues such as fraud or misreporting.

Reference: Internal auditing standards emphasize the need for auditors to understand the environment and context of the organization's operations when anomalies are detected.

Other Options Considered:

Option A: Making a note for future follow-up is not proactive and delays addressing a potential issue.

Option B: Analyzing supplier trends, while useful, does not directly address the travel expense anomaly.

Option D: Estimating costs based on destinations can provide insights but does not explain potential legitimate arrangements made by the organization.

Conclusion: Investigating special arrangements regarding senior management travel (Option C) is the most appropriate step to understand the discrepancy and ensure there are no irregularities.

NEW QUESTION 15

According to IIA guidance, which of the following corporate social responsibility (CSR) evaluation activities may be performed by the internal audit activity?

* 1. Consult on CSR program design and implementation

* 2. Serve as an advisor on CSR governance and risk management. 3. Review third parties for contractual compliance with CSR terms 4. Identify and mitigate risks to help meet the CSR program objectives

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

Answer: B

Explanation:

According to the Institute of Internal Auditors (IIA) guidance, internal audit activities can encompass several aspects of evaluating corporate social responsibility (CSR) programs.

? Consulting on Design and Implementation: Internal auditors can provide valuable insights into the design and implementation of CSR programs to ensure they are well-structured and aligned with organizational objectives.

? Advising on Governance and Risk Management: Serving as advisors, internal auditors can help in establishing effective governance structures and identifying and managing risks associated with CSR initiatives.

? Mitigating Risks: By identifying and mitigating risks, internal auditors support the achievement of CSR program objectives, ensuring these initiatives are both effective and sustainable.

? Reviewing Third Parties: While internal auditors may review third parties for contractual compliance with CSR terms, this activity is more often part of broader compliance audits rather than a specific focus area for CSR evaluations.

References:

? "IIA Practice Guide: Auditing Corporate Social Responsibility," which outlines the role of internal auditors in CSR-related activities.

NEW QUESTION 16

Which of the following is most likely to impair the organizational independence of the internal audit activity?

- A. The chief audit executive (CAE) reports administratively to the chief financial officer
- B. The CAE oversees the effectiveness of the organization's risk management function.
- C. The CAE reports functionally to the CEO.
- D. The CAE managed the finance department for the past five years.

Answer: D

Explanation:

? Impairment of Independence: The organizational independence of the internal audit activity can be impaired if the CAE has had significant roles in management, such as managing the finance department. This prior involvement may create a conflict of interest or perceived bias.

? IIA Standards on Independence: The IIA emphasizes the importance of independence and objectivity in internal auditing. Any prior management role, especially in the department being audited, can compromise the CAE's objectivity.

? Examples of Impairment:

: IIA Standard 1100 - Independence and Objectivity.

NEW QUESTION 20

Which of the following actions should the internal audit activity take during an audit engagement when examining the effectiveness of risk management processes?

- A. Evaluate how the organization manages fraud risk.
- B. Establish procedures for improving risk management processes.
- C. Ensure risk responses are aligned with industry standards
- D. Verify that organizational objectives are aligned with each departments objectives.

Answer: A

Explanation:

Risk Management Evaluation: During an audit engagement examining the effectiveness of risk management processes, the internal audit activity should focus on evaluating how the organization manages various types of risks, including fraud risk.

Fraud Risk Management: This involves assessing the organization's mechanisms for identifying, assessing, and responding to fraud risks. It also includes reviewing the effectiveness of controls in place to prevent and detect fraudulent activities.

IIA Standards: Standard 2120 – Risk Management emphasizes that internal auditors must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.

Comprehensive Approach:

? Risk Assessment: Ensuring that the organization conducts thorough risk assessments to identify potential fraud risks.

? Control Environment: Evaluating the control environment to ensure it supports ethical behavior and reduces opportunities for fraud.

? Fraud Prevention and Detection: Reviewing the policies and procedures in place to prevent and detect fraud, including whistleblower mechanisms and fraud response plans.

References:

? Internal auditors play a crucial role in assessing the adequacy of fraud risk management, which is integral to the overall risk management process. By evaluating fraud risk management, auditors can provide assurance that the organization is effectively mitigating fraud risks.

NEW QUESTION 24

A bank uses customer departmentalization to categorize its departments. Which of the following groups best exemplifies this method of categorization?

- A. Community, institutional, and agricultural banking
- B. Mortgages, credit cards, and savings.
- C. South, southwest and east.
- D. Teller, manager, and IT specialist

Answer: A

Explanation:

Customer Departmentalization: This method categorizes departments based on the type of customers they serve. It aligns services and strategies with the specific needs and characteristics of different customer groups.

Examples of Customer Departmentalization:

? Community Banking: Focuses on services tailored for local communities, often involving personal banking services.

? Institutional Banking: Caters to large organizations, offering specialized financial products and services.

? Agricultural Banking: Provides financial services to farmers and agricultural businesses, addressing their unique needs.

Comparison with Other Options:

? Product Departmentalization: Option B categorizes by products offered, such as mortgages and credit cards.

? Geographical Departmentalization: Option C categorizes by regions, such as south and southwest.

? Functional Departmentalization: Option D categorizes by job functions, such as teller and manager.

References:

? Customer departmentalization is exemplified by categorizing banking services into community, institutional, and agricultural sectors, focusing on the distinct

needs of
different customer groups.

NEW QUESTION 26

According to IIA guidance, which of the following statements about analytical procedures is true?

- A. Analytical procedures compare information against expectations
- B. Analytical procedures begin after the engagements planning phase.
- C. Analytical procedures provide internal auditors with explainable results.
- D. Analytical procedures are computer-assisted audit techniques

Answer: A

Explanation:

Analytical Procedures: These procedures involve evaluating financial information by studying plausible relationships among both financial and non-financial data. They help auditors form expectations about account balances or other financial data and then compare actual results to these expectations.

? Purpose: To identify any unusual or unexpected results that might indicate potential misstatements.

IIA Guidance on Analytical Procedures:

? Comparison Against Expectations: This is the core aspect of analytical procedures. Auditors develop expectations based on their knowledge of the business, industry trends, historical data, and other relevant factors.

? Engagement Phases: Analytical procedures can be applied in various phases of an audit, not just after the planning phase.

Other Statements:

? Begin After Planning: Analytical procedures are often used during planning to understand the business and during substantive testing and review phases.

? Explainable Results: While they can provide insights, the primary purpose is not just to explain results but to identify discrepancies.

? Computer-Assisted Techniques: Analytical procedures can be performed manually or with the help of software, but they are not solely defined as computer-assisted techniques.

NEW QUESTION 27

Which of the following activities best demonstrates an internal auditor's commitment to developing professional competencies?

- A. Requesting to be part of all engagements on the annual audit plan
- B. Attending a series of locally offered training courses.
- C. Completing a skills assessment and development plan for targeted training needs.
- D. Attending a webinar on how to use data analytics

Answer: C

Explanation:

? Introduction:

? Commitment to Development:

? Options Analysis:

? Conclusion:

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NEW QUESTION 32

An internal auditor has discovered that duplicate payments were made to one vendor Management has recouped the duplicate payments as a corrective action Which of the following describes managements action in this case?

- A. A condition-based action plan
- B. A cause-based action plan.
- C. A root cause-based action plan.
- D. An effect-based action plan.

Answer: D

Explanation:

? Introduction:

? Types of Action Plans:

? Options Analysis:

? Conclusion:

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NEW QUESTION 33

An organization's health-care insurance costs have been rising approximately 10 percent per year for several years Which of the following analytical review procedures would best evaluate the reasonableness of the increase in health-care costs?

- A. Develop a comparison of the costs incurred with similar costs incurred by other organizations
- B. Obtain the government index of health-care costs for the comparable period of time and compare the rate of increase with that of the cost per employee incurred by the organization.
- C. Obtain a bid from another health-care administrator to provide the same administrative services as the current health-care administrator.
- D. Review all claims and compare with appropriate procedures to ensure that overpayments have not occurred

Answer: B

Explanation:

Analytical review procedures involve evaluating financial information by studying plausible relationships among financial and non-financial data.

? Government Index Comparison: Comparing the organization's increase in health-care costs with a relevant government index provides a benchmark to assess whether the cost increases are in line with broader economic trends.

? Claims Review: While reviewing all claims could help identify specific overpayments, it is more labor-intensive and less effective for evaluating overall reasonableness.

? Competitive Bids: Obtaining bids from other health-care administrators might control future costs but does not evaluate the reasonableness of past cost increases.

? Industry Comparison: Comparing costs with those incurred by similar organizations could be useful but might not provide a standardized measure like a government index.

References:

? "Auditing and Assurance Services: An Integrated Approach," which details the use of analytical procedures in evaluating financial data.

NEW QUESTION 38

Which of the following situations is most likely to heighten an internal auditors professional skepticism regarding potential fraud?

- A. A procurement manager does not have the expected academic credentials for his position
- B. A salesperson frequently complains about the organization's policy on sales commissions.
- C. The accounts payable supervisor has requested advances against her monthly salary on several occasions
- D. A financial accountant is absent from work frequently due to regular medical procedures

Answer: A

Explanation:

Professional skepticism is an essential attitude for internal auditors, particularly when assessing the risk of fraud. According to the IIA's Practice Guide "Internal Auditing and Fraud", one of the red flags that may heighten an internal auditor's professional skepticism is the presence of employees whose qualifications or credentials do not match the requirements of their positions. In this case, a procurement manager lacking the expected academic credentials raises concerns because it could indicate potential fraudulent activities such as unqualified decision-making or manipulation of procurement processes.

Reference: IIA Practice Guide "Internal Auditing and Fraud"

NEW QUESTION 42

When is an organic organizational structure likely to be more successful than a mechanistic organizational structure?

- A. When a manufacturing organization has stable demand for its products.
- B. When an organization is subjected to strong political and social pressures
- C. When a manufacturer has reliable resources and suppliers.
- D. When an organization is infrequently affected by technological advances

Answer: B

Explanation:

An organic organizational structure is more flexible and adaptive compared to a mechanistic structure. It is characterized by less formalization, decentralized decision-making, and a greater reliance on lateral communication. This type of structure is beneficial in environments that are dynamic and uncertain, such as when an organization faces strong political and social pressures. The flexibility of an organic structure allows the organization to respond more effectively to external changes and pressures.

: This concept is supported by organizational theory literature, which suggests that organic structures are better suited for turbulent and changing environments where quick adaptation is necessary.

NEW QUESTION 46

The internal audit activity is responsible for which of the following actions related to an organization's internal controls?

- A. Mitigating risks affecting achievement of organizational objectives.
- B. Enabling opportunities affecting achievement of organizational objectives.
- C. Analyzing and advising regarding costs versus benefits of control activities.
- D. Attesting to fairness of financial statements

Answer: C

Explanation:

Internal audit activities include evaluating the effectiveness and efficiency of internal controls, and part of this process involves analyzing and advising on the cost-benefit relationship of control activities.

This function helps ensure that the internal controls in place are not only effective in mitigating risks but are also economically justified

NEW QUESTION 50

When using cost-volume-profit analysis, which of the following will increase operating income once the break-even point has been reached?

- A. Fixed costs per unit for each additional unit sold.
- B. Variable costs per unit for each additional unit sold.
- C. Contribution margin per unit for each additional unit sold.
- D. Gross margin per unit for each additional unit sold

Answer: C

Explanation:

Contribution Margin: Contribution margin is the amount by which the sales price of a product exceeds its variable costs. After reaching the break-even point, each additional unit sold contributes directly to operating income.

: Cost-volume-profit (CVP) analysis, which highlights the role of contribution margin in determining profitability.

Operating Income: At the break-even point, fixed costs are covered, so additional units sold increase operating income by the contribution margin per unit.

Fixed Costs: Fixed costs per unit (option A) do not change with additional units sold.

Variable Costs: Variable costs per unit (option B) remain constant and are deducted from sales price to calculate contribution margin.

Gross Margin: Gross margin per unit (option D) includes fixed costs and is less directly relevant than the contribution margin.

NEW QUESTION 52

The internal audit activity is currently working on several engagements, including a consulting engagement on the management process in the human resources department. Which of the following actions should the chief audit executive take to most efficiently and effectively ensure the quality of the engagement?

- A. Assign an experienced manager to monitor the whole engagement process.
- B. Employ fieldwork peer review to enhance the work quality.
- C. Require internal auditors to follow a standardized work program.
- D. Personally supervise the engagement

Answer: B

Explanation:

Ensuring Quality: To ensure the quality of the consulting engagement in the human resources department, the chief audit executive (CAE) can implement a fieldwork peer review process. This involves having experienced auditors review the work of their colleagues to ensure adherence to audit standards and procedures.

Efficiency and Effectiveness:

? Peer Review: This method helps identify any issues or improvements needed in real-time, enhancing both the efficiency and effectiveness of the audit process.

? Standardized Work Programs: While standardized work programs (option C) provide consistency, peer review adds a layer of quality assurance.

? Supervision: Personal supervision by the CAE (option D) is not practical for ensuring the quality of all engagements.

NEW QUESTION 57

In which scenario might it be considered problematic for the chief audit executive (CAE) to provide assurance services over the payroll function?

- A. The CAE previously undertook a consulting assignment in that area to improve processes.
- B. A couple of years ago, the CAE performed accounting functions for the payroll department.
- C. Prior to becoming the CAE, the CAE was the payroll manager.
- D. The assurance review was initiated following issues identified during a consulting assignment requested by management.

Answer: C

Explanation:

? Introduction:

? Scenario Analysis:

? Conclusion:

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IIA??s International Standards for the Professional Practice of Internal Auditing, Standard 1130: Impairment to Independence or Objectivity.

NEW QUESTION 61

Which of the following is essential for ensuring that the internal audit activity??s findings and recommendations receive adequate consideration?

- A. Reporting results of audits with recommendations to management.
- B. Providing formal follow-up procedures to ensure that management complies with an action plan or accepted risk of not taking action.
- C. Reporting quarterly to management that the audit plan is focused on higher exposures of risk.
- D. Discussing audit findings with independent auditors.

Answer: B

Explanation:

? Ensuring Compliance: To ensure that audit findings and recommendations are addressed, formal follow-up procedures are necessary.

? Follow-up Procedures: These procedures involve tracking the implementation of recommendations and verifying that management has taken appropriate action or has accepted the risks of not acting.

? Reporting to Management: Regular reporting on the status of follow-up actions helps maintain accountability and transparency.

? Standard Requirement: This aligns with the IIA??s Standard 2500 – Monitoring Progress, which requires internal audit activities to establish and maintain a system to monitor the disposition of results communicated to management.

References:

? The IIA??s International Standards for the Professional Practice of Internal Auditing, specifically Standard 2500 on Monitoring Progress.

NEW QUESTION 63

According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?

- A. To enable Triple Bottom Line reporting capability.
- B. To facilitate the conduct of risk assessment
- C. To achieve and maintain sustainable development.
- D. To fulfill regulatory and compliance requirements.

Answer: C

Explanation:

Implementing environmental and social safeguards aligns with the broader organizational goal of achieving sustainable development.

These safeguards ensure that the organization operates in a manner that is environmentally responsible and socially conscious, which is crucial for long-term sustainability

NEW QUESTION 64

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

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

- B. Purchase orders are typed by the purchasing department using prenumbered forms
- C. Buyers promptly update the official vendor listing as new supplier sources become known.
- D. Department managers initiate purchase requests that must be approved by the plant superintendent

Answer: C

Explanation:

A control weakness occurs when there is a deficiency in internal controls that could allow errors or fraud to occur. While the act of buyers promptly updating the vendor listing might seem efficient, it could bypass necessary oversight and approval processes. This could lead to unauthorized or inappropriate vendors being added, increasing the risk of fraud or favoritism. Effective internal control requires that such updates be reviewed and approved by an independent party to ensure accuracy and appropriateness.

: Best practices in internal control recommend segregation of duties and independent review processes to prevent unauthorized changes and ensure control integrity.

NEW QUESTION 66

The board of directors of a global organization has found an increased number of reported cases of unethical practices since last year. To assist the board in gaining a better understanding of the degree of ethics awareness within the organization, which of the following actions should be undertaken?

- A. Request the internal audit activity to perform an ethics-related assurance engagement.
- B. Offer in-house ethics-related training seminars for employees to attend
- C. Reaffirm the importance of the organization's code of ethics to all employees
- D. Conduct an organization wide employee survey on ethical practices.

Answer: D

Explanation:

To assist the board of directors in understanding the degree of ethics awareness within the organization, an organization-wide employee survey on ethical practices (option D) is the most effective action. Here's why:

? Direct Insight from Employees: Surveys can capture the perspectives of a broad employee base, providing direct insights into the awareness and attitudes towards ethics within the organization.

? Quantitative and Qualitative Data: A well-designed survey can gather both quantitative data (e.g., percentage of employees aware of the code of ethics) and qualitative data (e.g., specific instances of ethical dilemmas faced by employees).

? Identifying Areas of Improvement: Surveys can identify specific areas where employees feel the organization is lacking in terms of ethical practices, which can guide targeted improvements.

? Confidentiality and Anonymity: Surveys often ensure confidentiality and anonymity, encouraging more honest and comprehensive responses from employees, which might not be achievable through other means.

? Comprehensive Scope: Compared to internal audits or training, surveys can provide a comprehensive overview of the entire organization's ethical climate, from various departments and levels.

This approach aligns with the best practices in internal auditing and organizational assessments as outlined by the Institute of Internal Auditors (IIA) and other related guidance.

NEW QUESTION 70

Which of the following is an example of a properly supervised engagement?

- A. Auditors are asked to keep a daily record of their activity for review by the auditor in charge following the engagement.
- B. The senior internal auditor requires each auditor to review and initial colleagues' workpapers for completeness and format
- C. A new internal auditor is accompanied by an experienced auditor during a highly sensitive fraud investigation.
- D. The auditor in charge provides reasonable assurance that engagement objectives were met

Answer: D

Explanation:

Supervision in Internal Audit: Effective supervision ensures that the engagement is carried out according to plan, objectives are met, and quality standards are maintained. It involves guiding, mentoring, and reviewing the work of auditors throughout the engagement.

IIA Standards:

? Standard 2340 – Engagement Supervision: Internal audit engagements must be properly supervised to ensure objectives are achieved, quality is maintained, and staff are developed.

? Proper supervision includes overseeing the engagement, providing direction, and ensuring that work complies with standards and achieves engagement objectives.

Examples of Proper Supervision:

? Reasonable Assurance: The auditor in charge providing reasonable assurance that engagement objectives were met is a fundamental aspect of effective supervision. It ensures that the engagement delivers the intended outcomes and adheres to quality standards.

? Daily Records and Workpaper Review: Options A and B involve administrative tasks and peer review, which are supportive but do not alone constitute comprehensive supervision.

? Accompanied Training: Option C involves on-the-job training, which is beneficial but not the primary aspect of engagement supervision.

NEW QUESTION 71

Which of the following best demonstrates internal auditors performing their work with proficiency?

- A. internal auditors meet with operational management at each phase of the audit process.
- B. Internal auditors adhere to The IIA's Code of Ethics.
- C. Internal auditors work collaboratively with their engagement team.
- D. Internal auditors complete a program of continuing professional development.

Answer: D

Explanation:

Proficiency in internal auditing is not only about technical skills but also involves continuous education and staying updated with the latest practices and standards in the field.

Option D reflects the commitment to ongoing professional development, ensuring that internal auditors maintain and enhance their proficiency over time. The Institute of Internal Auditors (IIA) emphasizes the importance of continuing professional development as a means to ensure auditors remain competent in their roles

NEW QUESTION 73

Which of the following statements best describes the difference between risk appetite and risk tolerance?

- A. Risk appetite applies to specific objectives, while risk tolerance refers to an organization's general attitude toward risk.
- B. Risk appetite refers to the degree of risk acceptance for a particular objective, while risk tolerance is one approach to risk management
- C. Risk appetite refers to an organization's general level of acceptance, while risk tolerance is a more specific and subordinate concept
- D. There is no significant difference between the two terms

Answer: C

Explanation:

? Definition of Risk Appetite: Risk appetite is the amount and type of risk an organization is willing to pursue or retain to achieve its objectives. It reflects the organization's overall approach to risk-taking and is typically articulated at the highest level of the organization.
Reference: COSO's Enterprise Risk Management Framework.
Definition of Risk Tolerance: Risk tolerance refers to the acceptable variation relative to the achievement of specific objectives. It is more granular and specific than risk appetite, detailing the levels of risk that are acceptable within the parameters set by the organization's risk appetite.
Reference: IIA's Practice Guide on Risk Management.
Distinguishing the Two Concepts: Risk appetite is broad and sets the overall boundaries for risk-taking, while risk tolerance is more specific, outlining acceptable risk levels for particular objectives within the broader risk appetite framework.
Practical Example: An organization may have a high risk appetite, accepting significant risks to achieve growth, but its risk tolerance for operational risks (such as system failures) may be low, indicating minimal acceptable deviations from expected performance.
Conclusion: The correct answer is C, as risk appetite represents the organization's general level of risk acceptance, whereas risk tolerance is more specific and detailed, falling under the broader scope of risk appetite.

NEW QUESTION 77

Which of the following statements is true regarding partnership liquidation?

- A. Operations can continue after the liquidation, if all partners agree.
- B. Partnership liquidation ends both the legal and economic life of an entity
- C. Partnership liquidation occurs when there is capital deficiency.
- D. When a partnership is liquidated, each partner pays creditors from cash received

Answer: B

Explanation:

Partnership liquidation refers to the process of dissolving a partnership, where all assets are sold, liabilities are paid off, and any remaining assets are distributed among the partners. This process marks the end of the partnership's legal existence and its economic activities.
? Legal and Economic Termination: Upon liquidation, the partnership ceases to exist legally and economically. This means that it can no longer operate or enter into new business transactions.
? Asset Distribution: The liquidation process ensures that all assets are sold, and the proceeds are used to pay off any outstanding debts. Any remaining funds are distributed to the partners according to the partnership agreement.
? Capital Deficiency: While capital deficiency might prompt liquidation, it is not a defining characteristic of the process.
? Creditors Payment: Creditors are paid from the partnership's assets, not directly by the partners unless agreed otherwise or if the assets are insufficient to cover the liabilities.
References:
? "Fundamentals of Partnership Accounting," which details the steps and consequences of partnership liquidation.

NEW QUESTION 79

Which of the following statements is true regarding corporate social responsibility (CSR)?

- A. Many of the areas explored by CSR are normally included in an audit universe or annual audit plan
- B. Despite significant corporate resources spent on CSR reporting, investors generally do not rely on CSR information.
- C. Unlike many other areas of reporting responsibilities impacting stakeholders, CSR is largely voluntary.
- D. Typically, operating management does not have a major role to play based on the public nature of reporting

Answer: C

Explanation:

? Introduction:
? Nature of CSR Reporting:
? Options Analysis:
? Conclusion:
:
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NEW QUESTION 84

In an assurance engagement focused on the adequacy of organizationwide risk management practices, which of the following best describes a primary area of interest for the engagement?

- A. The effectiveness of process-level and transaction-level controls.
- B. Conflicts of interest within the organizational structure of the senior management.
- C. The alignment of management decisions with the level of risk the organization is willing to accept.
- D. The actions of upper management in response to the internal audit activity's reporting

Answer: C

Explanation:

Understanding the Engagement Scope: The primary area of interest in an assurance engagement focused on the adequacy of organization-wide risk management practices is to ensure that risk management is effectively integrated into the organization's decision-making processes. This involves evaluating whether management decisions are aligned with the organization's risk appetite, which is the amount of risk the organization is willing to accept in pursuit of its objectives.

Key Considerations:

? Effectiveness of Risk Management Framework: Ensuring that the risk management framework is robust and effectively implemented across the organization.

? Risk Appetite Alignment: Assessing if the decisions made by management are within the boundaries set by the organization's risk appetite statement.

? Strategic Objectives: Evaluating if the risk management practices support the achievement of the organization's strategic objectives.

IIA Standards: According to the IIA's International Standards for the Professional Practice of Internal Auditing, internal auditors must evaluate the effectiveness and contribute to the improvement of risk management processes (Standard 2120 - Risk Management). References:

? The alignment of management decisions with the level of risk the organization is

willing to accept ensures that the organization does not take on more risk than it is prepared to handle, thereby protecting its assets and ensuring long-term sustainability.

? Effective risk management practices help in identifying, assessing, and mitigating risks, which is crucial for the overall governance and operational effectiveness of the organization

NEW QUESTION 89

An organization does not have a formal risk management function. According to the Standards, which of the following are conditions where the internal audit activity may provide risk management consulting?

* 1. There is a clear strategy and timeline to migrate risk management responsibility back to management.

* 2. The internal audit activity has the final approval on any risk management decisions.

* 3. The internal audit activity gives objective assurance on all parts of the risk management framework for which it is responsible.

* 4. The nature of services provided to the organization is documented in the internal audit charter.

A. 1 and 4 only.

B. 2 and 4 only.

C. 1 and 3 only.

D. 2 and 3 only.

Answer: A

Explanation:

Conditions for Risk Management Consulting by Internal Audit:

? Strategy and Timeline for Migration: The internal audit activity can provide risk management consulting if there is a clear strategy and timeline to transfer risk management responsibilities back to management. This ensures a temporary arrangement with a defined end goal.

? Documentation in Internal Audit Charter: The nature of services provided, including risk management consulting, must be documented in the internal audit charter. This formalizes the internal audit activity's role and ensures transparency and alignment with organizational governance.

IIA Standards:

? Standard 1130 – Impairment to Independence or Objectivity: When internal auditors perform risk management roles, it must not impair their objectivity. Clear documentation and a transition strategy mitigate potential conflicts of interest.

? Standard 2050 – Coordination and Reliance: Internal auditors must coordinate with other assurance providers, ensuring roles are clear and documented.

Inappropriate Conditions:

? Final Approval on Risk Management Decisions: The internal audit activity should not have final approval on risk management decisions, as this impairs independence and objectivity.

? Objective Assurance on Own Work: Providing objective assurance on parts of the risk management framework for which the internal audit activity is responsible creates a conflict of interest.

References:

? The conditions under which internal audit can provide risk management consulting must include a clear strategy for migrating responsibilities back to management and documentation in the internal audit charter to ensure transparency and avoid conflicts of interest.

NEW QUESTION 91

Management would like to self-assess the overall effectiveness of the controls in place for its 200-person manufacturing department. Which of the following client-facilitated approaches is likely to be the most efficient way to accomplish this objective?

A. Workshops.

B. Surveys.

C. Interviews.

D. Observation.

Answer: B

Explanation:

Self-assessment of controls can be efficiently conducted using various client-facilitated approaches. The choice of method depends on factors such as the size of the department, the nature of the controls, and the need for comprehensive feedback.

? Efficiency in Large Groups: Surveys are particularly effective for large groups (such as a 200-person department) as they allow for the collection of data from many individuals quickly and efficiently.

Reference: IIA Practice Guide on "Control Self-Assessment," which suggests using surveys for broad-based data collection when assessing control effectiveness across larger groups.

Standardized Feedback: Surveys provide standardized questions, ensuring consistent data collection and making it easier to analyze the responses.

Practical Example: A survey might include questions rating the effectiveness of different control measures on a scale, allowing management to identify areas of strength and weakness.

Anonymity and Honest Responses: Surveys can be conducted anonymously, encouraging more honest and candid feedback from employees who might hesitate to speak openly in workshops or interviews.

Advantage: This anonymity can lead to more accurate assessments of the controls' effectiveness, as employees might feel more comfortable pointing out issues without fear of repercussions.

Comparison to Other Methods:

Workshops (A): While useful for in-depth discussions, they are time-consuming and less efficient for large groups.

Interviews (C): Provide detailed insights but are also time-consuming and not practical for a 200-person department.

Observation (D): Useful for firsthand assessment but not efficient for gathering widespread feedback across a large department.

Conclusion: The correct answer is B, as surveys are the most efficient method for self-assessing the overall effectiveness of controls in a large department, offering a balance of broad coverage, standardized data, and anonymity.

NEW QUESTION 92

An engagement supervisor obtains facilities maintenance reports from a contractor during an audit of third-party services. Which of the following is the source of authority for the engagement supervisor to make such contact outside the organization?

- A. The policies and procedures of the internal audit activity.
- B. The provisions of the internal audit charter.
- C. The authority of the CEO.
- D. The IIA's Code of Ethics.

Answer: B

Explanation:

Authority Source: The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. It grants internal auditors the right to access all records, personnel, and physical properties relevant to the performance of engagements.

Facilities Maintenance Reports: When an engagement supervisor contacts a third-party contractor for maintenance reports, the authority is derived from the internal audit charter, which ensures auditors have the necessary access to perform their duties.

Importance of the Charter: This ensures the independence and objectivity of the internal audit activity, providing a clear mandate for auditors to obtain information from external parties as needed.

NEW QUESTION 97

A chief audit executive (CAE) identifies that the internal audit activity lacks a necessary skill to perform a management request for a consulting engagement. According to IIA guidance, which of the following is the most appropriate action the CAE should take regarding the request?

- A. Assign the engagement to a more senior internal auditor.
- B. Decline the engagement request.
- C. Allow the internal auditors to acquire the needed skills while performing the engagement.
- D. Supervise the assigned internal auditors throughout the engagement.

Answer: B

Explanation:

According to the IIA's Standards, specifically Standard 1210 - Proficiency, internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. If the internal audit activity lacks the necessary skill set to conduct a requested consulting engagement, the most appropriate action for the CAE is to decline the engagement request. This ensures that the internal audit activity does not compromise the quality and effectiveness of its services.

Reference: IIA Standard 1210 - Proficiency

NEW QUESTION 102

An internal auditor is asked to determine why the production line for a large manufacturing organization has been experiencing shutdowns due to unavailable parts. The auditor learns that production data used for generating automatic purchases via electronic interchange is collected on personal computers connected by a local area network (LAN). Purchases are made from authorized vendors based on both the production plans for the next month and an authorized materials requirements plan (MRP) that identifies the parts needed per unit of production. The auditor suspects the shutdowns are occurring because purchasing requirements have not been updated for changes in production techniques. Which of the following audit procedures should be used to test the auditor's theory?

- A. Compare purchase orders generated from test data input into the LAN with purchase orders generated from production data for the most recent period.
- B. Develop a report of excess inventory and compare the inventory with current production volume.
- C. Compare the parts needed based on current production estimates and the MRP for the revised production techniques with the purchase orders generated from the system for the same period.
- D. Select a sample of production estimates and MRPs for several periods and trace them into the system to determine that input is accurate.

Answer: C

Explanation:

To test the theory that shutdowns are due to outdated purchasing requirements, the auditor should compare the parts needed according to the revised production techniques with the purchase orders generated. This comparison will reveal whether the system has been updated to reflect changes in production techniques, thereby identifying any discrepancies causing the unavailability of parts.

: The practice of matching current production estimates with the materials requirements plan (MRP) aligns with standard audit procedures for validating the accuracy and relevance of system-generated purchase orders.

NEW QUESTION 107

An organization uses the management-by-objectives method, whereby employee performance is based on defined goals. Which of the following statements is true regarding this approach?

- A. It is particularly helpful to management when the organization is facing rapid change.
- B. It is a more successful approach when adopted by mechanistic organizations.
- C. It is more successful when goal-setting is performed not only by management, but by all team members, including lower-level staff.
- D. It is particularly successful in environments that are prone to having poor employer-employee relations.

Answer: C

Explanation:

? Management-by-Objectives (MBO): This method involves setting clear, measurable objectives that employees and management agree on. It aligns individual performance with organizational goals.

? Inclusive Goal-Setting: When goal-setting is inclusive, involving all team members, it fosters a sense of ownership and commitment to the goals. This collaboration enhances motivation and accountability.

? Empirical Evidence: Research and practical experience indicate that MBO is more effective when employees at all levels are involved in the goal-setting process, as it leads to better performance and job satisfaction.

? IIA Standards and Best Practices: Encouraging participation from all levels aligns with the principles of good governance and effective management, which are central to the IIA's standards and best practices.

References:

? Principles of Management-by-Objectives (MBO) .

NEW QUESTION 109

What would be the effect if an organization paid one of its liabilities twice during the year, in error?

- A. Assets, liabilities, and owners' equity would be understated.
- B. Assets, net income, and owners' equity would be unaffected
- C. Assets and liabilities would be understated.
- D. Assets, net income, and owners' equity would be understated, but liabilities would be overstated

Answer: D

Explanation:

If an organization pays one of its liabilities twice, its assets (cash) would be reduced more than necessary. This results in an understatement of net income and owners' equity because the additional payment is an expense that should not have been recorded. Liabilities would be overstated because the duplicate payment does not reduce the liability correctly.

References:

? "Financial Accounting Principles," which discusses the impact of errors on financial statements.

NEW QUESTION 112

Which of the following is most appropriate for internal auditors to do during the internal audit recommendations monitoring process?

- A. Report the monitoring status to senior management when requested.
- B. Assist management with implementing corrective actions.
- C. Determine the frequency and approach to monitoring
- D. Include all types of observations in the monitoring process

Answer: C

Explanation:

? Introduction:

? Responsibilities in Monitoring:

? Options Analysis:

? Conclusion:

:

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NEW QUESTION 117

Which of the following best describes the guideline for preparing audit engagement workpapers?

- A. Workpapers should be understandable to the auditor in charge and the chief audit executive
- B. Workpapers should be understandable to the audit client and the board.
- C. Workpapers should be understandable to another internal auditor who was not involved in the engagement.
- D. Workpapers should be understandable to external auditors and regulatory agencies

Answer: C

Explanation:

The guidelines for preparing audit engagement workpapers emphasize clarity, completeness, and accuracy to ensure that they can be easily understood and used by others within the auditing function.

? Option A: Workpapers should be understandable to the auditor in charge and the chief audit executive.

? Option B: Workpapers should be understandable to the audit client and the board.

? Option C: Workpapers should be understandable to another internal auditor who was not involved in the engagement.

? Option D: Workpapers should be understandable to external auditors and regulatory agencies.

Reference:

According to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2330 -

"Documenting Information," internal auditors must document relevant information to support the conclusions and engagement results. The documentation must be sufficiently detailed to allow another internal auditor with no previous connection to the engagement to understand the work performed, evidence obtained, and conclusions reached.

NEW QUESTION 122

A rapidly expanding retail organization continues to be tightly controlled by its original small management team. Which of the following is a potential risk in this vertically centralized organization?

- A. Lack of coordination among different business units
- B. Operational decisions are inconsistent with organizational goals.
- C. Suboptimal decision-making.
- D. Duplication of business activities.

Answer: C

Explanation:

? Introduction:

? Risk Analysis:

? Conclusion:

:

Organizational Structure and Internal Control Theory.

NEW QUESTION 127

An internal audit activity maintains a quality assurance and improvement program that includes annual self-assessments. The internal audit activity includes in each engagement report a clause that the engagement is conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). Which of the following justifies inclusion of this clause in the reports?

- A. Internal audit activity policies and engagement records provide relevant, sufficient, and competent evidence that the statement is correct.
- B. The audit committee has reviewed the annual self-assessment results and approved the use of the clause.
- C. The self-assessment results were validated by a qualified external review team three years prior.
- D. The internal audit charter, approved by the audit committee, requires conformance with the Standards.

Answer: C

Explanation:

According to the IIA Standards, an internal audit activity must have an external assessment conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The validation by an external team ensures that the internal audit activity's self-assessments and quality assurance practices meet the required standards.

: IIA Standard 1312 (External Assessments) and IIA Standard 1320 (Reporting on the Quality Assurance and Improvement Program) provide detailed guidelines for this process.

NEW QUESTION 129

At a conference an internal auditor presented a new computer-assisted audit technique developed by his organization. The presentation included sample data derived from performing audit engagements for the organization. Travel costs were paid by the conference organizers and the trip was approved by the chief audit executive (CAE). However, neither management nor the CAE was aware that the internal auditor would be making a presentation based on work completed for the organization. According to IIA guidance, which of the following statements is most relevant regarding the actions of the auditor?

- A. The auditor did not violate the standard of objectivity because the presentation had no impact on the organization.
- B. The auditor violated the principle of confidentiality by disclosing information about the organization without approval.
- C. The auditor should have obtained permission before using the material, but did not violate the IIA Code of Ethics or Standards.
- D. The auditor breached the conflict of interest standard by accepting payment for travel costs.

Answer: B

Explanation:

Understanding Confidentiality: According to the IIA Code of Ethics, internal auditors are required to respect the value and ownership of information they receive and not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Presentation Details: In this scenario, the internal auditor presented sample data derived from audit engagements performed for the organization. Even though the travel costs were covered by the conference organizers and the trip was approved by the CAE, neither the CAE nor management was aware of the specific content of the presentation.

Violation of Confidentiality: By disclosing information related to the organization's audit engagements without prior approval from management or the CAE, the auditor breached the confidentiality principle. The auditor should have sought permission before using and presenting any material related to the organization's internal operations.

IIA Standards: Standard 1310 – Requirements of the Quality Assurance and Improvement Program – states that internal auditors must adhere to the IIA's Code of Ethics and Standards. This includes maintaining confidentiality and obtaining necessary approvals before disclosing any organizational information.

References:

? The principle of confidentiality is clearly violated when information is shared without proper authorization, regardless of the perceived impact on the organization. The IIA Code of Ethics emphasizes the importance of obtaining appropriate permissions to prevent unauthorized disclosures.

NEW QUESTION 134

A snow removal company is conducting a scenario planning exercise where participating employees consider the potential impacts of a significant reduction in annual snowfall for the coming winter. Which of the following best describes this type of risk?

- A. Residual
- B. Net
- C. inherent.
- D. Accepted.

Answer: C

Explanation:

Inherent Risk: Inherent risk refers to the exposure to risk in its natural state, without considering any controls or mitigation measures. It is the risk that exists before any action is taken to manage it.

? Example: In the scenario of a snow removal company, the significant reduction in annual snowfall represents an inherent risk as it is a natural condition that affects the company's operations.

Other Risk Types:

? Residual Risk: This is the risk that remains after controls and mitigation strategies have been applied.

? Net Risk: Similar to residual risk, it is the risk that remains after considering existing controls.

? Accepted Risk: This is the risk that the organization knowingly accepts after evaluating its impact and likelihood.

Scenario Planning: The exercise of considering the impacts of reduced snowfall helps the company understand its inherent risks and prepare for potential adverse outcomes.

NEW QUESTION 135

A multinational organization has multiple divisions that sell their products internally to other divisions. When selling internally, which of the following transfer prices would lead to the best decisions for the organization?

- A. Full cost
- B. Full cost plus a markup.
- C. Market price of the product.
- D. Variable cost plus a markup.

Answer: C

Explanation:

Using the market price of the product for internal transfer pricing leads to the best decisions for the organization because it reflects the true economic value of the goods or services being transferred. This method promotes efficiency and fairness within the divisions.

? Economic Value: Market price reflects the true economic value, ensuring that the internal transactions are conducted at fair and competitive prices.

? Performance Measurement: It provides a consistent basis for evaluating the performance of different divisions, as they are measured against external market conditions.

? Resource Allocation: Helps in optimal allocation of resources by ensuring that internal transactions are economically justified and comparable to external transactions.

References:

? "Management Accounting: Principles and Practices," which discusses the advantages of using market-based transfer pricing .

NEW QUESTION 139

Which of the following documents are internal auditors most likely to be asked to sign as a demonstration of due professional care?

- A. A description of their job responsibilities.
- B. A non-disclosure agreement
- C. An annual declaration of commitment to The IIA's Code of Ethics.
- D. The internal audit charter

Answer: C

Explanation:

? Professional Responsibility: Internal auditors are expected to demonstrate their commitment to professional standards and ethics.

? Code of Ethics: The IIA's Code of Ethics outlines principles that internal auditors must follow, including integrity, objectivity, confidentiality, and competency.

? Annual Declaration: Signing an annual declaration reinforces the auditor's commitment to these principles and ensures ongoing adherence to the professional standards.

? Demonstration of Due Care: By signing this declaration, auditors formally acknowledge their responsibility to uphold ethical standards, which is a demonstration of due professional care.

References:

? The IIA's Code of Ethics.

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

NEW QUESTION 142

Which of the following is true of matrix organizations?

- A. A unity-of-command concept requires employees to report technically, functionally, and administratively to the same manager.
- B. A combination of product and functional departments allows management to utilize personnel from various functions.
- C. Authority, responsibility, and accountability of the units involved may vary based on the projects life, or the organization's culture.
- D. it is best suited for firms with scattered locations or for multi-line, large-scale firms.

Answer: B

Explanation:

? Matrix Organization Structure: In matrix organizations, employees report to both functional and product managers. This dual reporting structure allows the organization to efficiently use its personnel across different projects and functions.

? Advantages of Matrix Structure:

? Unity-of-Command: Option A is incorrect because the unity-of-command principle is compromised in a matrix organization due to dual reporting lines.

? Authority and Accountability: Option C is correct to some extent but does not capture the primary benefit of resource utilization.

? Suitability: Option D refers to the best use cases for matrix structures, but option B provides a more comprehensive understanding of how matrix organizations function.

: Management and Organizational Behavior textbooks.

NEW QUESTION 146

According to IIA guidance, which of the following statements is true regarding engagement planning?

- A. For both assurance and consulting engagements, planning typically occurs after the engagement objectives and scope have already been determined.
- B. The expectations and objectives of an assurance engagement are usually determined b
- C. or in conjunction with, the engagement client
- D. Internal auditors may not need to complete a preliminary risk assessment for a consulting engagement as they would when planning an assurance engagement.
- E. For both consulting and assurance engagements, internal auditors usually form the engagement objectives prior to completing the preliminary risk assessment

Answer: B

Explanation:

The expectations and objectives of an assurance engagement are often determined in conjunction with the engagement client, aligning with the client's needs and the scope of the engagement. In consulting engagements, internal auditors provide advice and services

tailored to the client's requests, which may not always follow a preliminary risk assessment process like in assurance engagements.

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

(Standards) provide detailed guidance on this aspect of engagement planning, particularly in Standards 2200 and 2201.

NEW QUESTION 147

Which of the following situations best applies to an organization that uses a project, rather than a process, to accomplish its business activities?

- A. A clothing company designs, makes, and sells a new item.
- B. A commercial construction company is hired to build a warehouse.
- C. A city department sets up a new firefighter training program.
- D. A manufacturing organization acquires component parts from a contracted vendor

Answer: B

Explanation:

To determine which situation best applies to an organization that uses a project, rather than a process, to accomplish its business activities, it's important to understand the fundamental difference between a project and a process. A project is a temporary endeavor undertaken to create a unique product, service, or result. It has a defined beginning and end and is often constrained by time, budget, and resources. In contrast, a process is ongoing and repetitive, focusing on sustaining and improving existing operations.

? Option A: A clothing company designs, makes, and sells a new item.

? Option B: A commercial construction company is hired to build a warehouse.

? Option C: A city department sets up a new firefighter training program.

? Option D: A manufacturing organization acquires component parts from a contracted vendor.

Reference:

This analysis aligns with project management principles and definitions, such as those found in the Project Management Institute's (PMI) PMBOK Guide, which defines a project as a temporary endeavor undertaken to create a unique product, service, or result.

NEW QUESTION 150

Which of the following is the most appropriate reason for a chief audit executive to conduct an external assessment more frequently than five years?

- A. Significant changes in the organization's accounting policies or procedures would warrant timely analysis and feedback.
- B. More frequent external assessments can serve as an equivalent substitute for internal assessments.
- C. The parent organization's internal audit activity agreed to perform biennial reciprocal external assessments to provide greater assurance at a reduced cost.
- D. A change in senior management or internal audit leadership may change expectations and commitment to conformance

Answer: D

Explanation:

? Introduction:

? Reasons for More Frequent Assessments:

? Options Analysis:

? Conclusion:

:

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NEW QUESTION 151

When determining the level of staff and resources to be dedicated to an assurance engagement, which of the following would be the most relevant to the chief audit executive?

- A. The overall adequacy of the internal audit activity's resources
- B. The availability of guest auditors for the engagement
- C. The number of internal auditors used for the previous review of the same area.
- D. The available resources with the specific skill set required

Answer: D

Explanation:

When determining the level of staff and resources to dedicate to an assurance engagement, the most critical factor for the chief audit executive (CAE) is ensuring that the available resources possess the specific skill sets required for the engagement. This ensures that the internal audit team can effectively address the unique challenges and risks associated with the audit.

? Skill Set Relevance: The CAE must match the skills and knowledge of the audit

team to the specific requirements of the audit engagement. This includes technical expertise, industry knowledge, and any specialized skills needed for the audit.

? Resource Allocation: Effective allocation involves not just the number of auditors but ensuring they have the right competencies to perform the audit tasks proficiently.

? Impact on Audit Quality: Allocating resources with the appropriate skill set ensures the audit is thorough and of high quality, reducing the risk of overlooking critical issues.

References:

? "Managing Internal Audit Activities," which discusses the importance of aligning audit resources with the necessary skills for specific engagements .

NEW QUESTION 153

Which of the following best demonstrates that the internal audit activity is using due professional care?

- A. The internal audit activity reports directly to the board on the engagements it performs.
- B. Internal auditors undertake the necessary training to complete their audit work.
- C. The completion of engagements is based on the assumption that fraudulent activities may exist.
- D. Internal auditors consider the use of technology-based audit and other data analysis techniques

Answer: D

Explanation:

Demonstrating due professional care involves using appropriate technology and data analysis techniques to enhance the audit's effectiveness and efficiency. These tools help auditors identify anomalies, trends, and potential areas of risk more accurately and timely, reflecting a higher standard of care in their audit activities.

References:

? "Auditing Standards and Guidelines," which emphasize the importance of using advanced techniques in audit processes.

NEW QUESTION 158

Which of the following statements best demonstrates application of due professional care during an assurance engagement?

- A. The engagement detected irregularities and noncompliance instances.
- B. The engagement supervisor had no significant comments in the supervisory review.
- C. The audit procedures were systematically planned: executed, and documented.
- D. The engagement objectives were designed to assist the engagement client

Answer: C

Explanation:

? Introduction:

? Application of Due Professional Care:

? Options Analysis:

? Conclusion:

:

Internal Audit Standards and Practice Guides

NEW QUESTION 160

Which of the following would be the most effective fraud prevention control?

- A. Email alert sent to management for checks issued over \$100,000.
- B. Installation of a video surveillance system in a warehouse prone to inventory loss
- C. New hire training to explain fraud and employee misconduct.
- D. Daily report that identifies unsuccessful system log-in attempts

Answer: C

Explanation:

Training new hires on fraud and employee misconduct is a proactive measure that raises awareness and educates employees about the organization's policies and the consequences of fraudulent behavior.

Such training helps create a culture of integrity and compliance, making employees less likely to engage in or tolerate fraud.

Continuous education and reinforcement of ethical behavior are essential components of an effective fraud prevention strategy

NEW QUESTION 164

Which of the following statements is true regarding the reporting of tangible and intangible assets?

- A. For plant assets, cost includes the purchase price and the cost of design and construction
- B. For intangible assets, cost includes the purchase price and development costs.
- C. Due to their indefinite nature, intangible assets are not subject to amortization.
- D. The organization must expense any cost incurred in developing a plant asset

Answer: A

Explanation:

Plant Assets Cost: For plant assets, which are tangible fixed assets such as buildings and machinery, the cost includes all expenditures necessary to acquire the asset and prepare it for its intended use. This includes the purchase price and additional costs such as design and construction.

: This aligns with standard accounting practices where costs related to bringing an asset to its operational state are capitalized as part of the asset's cost.

Intangible Assets Cost: The cost of intangible assets, such as patents and trademarks, typically includes the purchase price and development costs. However, option B refers to this, but the correct focus for plant assets is emphasized in option A.

Amortization of Intangible Assets: Intangible assets with finite useful lives are subject to amortization, contradicting option C. Those with indefinite lives are not amortized but tested annually for impairment.

Expense of Developing Plant Assets: Development costs for plant assets are capitalized, not expensed immediately, making option D incorrect.

NEW QUESTION 167

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

- A. Planning an engagement of the area in which fraud is suspected.
- B. Employing audit tests to detect fraud
- C. Interrogating a suspected fraudster.
- D. Completing a process review to improve controls to prevent fraud.

Answer: C

Explanation:

Specialized Knowledge: Interrogating a suspected fraudster requires specialized knowledge and skills that go beyond the typical expertise of internal auditors. This includes understanding interrogation techniques, legal implications, and psychological aspects. Fraud Specialist: A fraud specialist is trained in conducting investigations, including interrogations, and can provide valuable insights and evidence in cases of suspected fraud. IIA Standards: According to Standard 1210.A2, internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Collaborative Approach:

? Fraud Investigations: Engaging a fraud specialist ensures that the investigation is conducted thoroughly and professionally, adhering to legal and ethical standards.

? Support to Internal Audit: The fraud specialist can provide support and guidance to the internal audit activity, enhancing the overall effectiveness of the fraud investigation.

References:

? Employing a fraud specialist to interrogate a suspected fraudster ensures that the investigation is handled with the necessary expertise and legal compliance, thereby increasing the chances of uncovering the truth and taking appropriate actions.

NEW QUESTION 168

According to IIA guidance, which of the following statements is true regarding due professional care?

- A. Internal auditors must exercise due professional care to ensure that all significant risks will be identified.
- B. Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.
- C. Due professional care requires the internal auditor to conduct extensive examinations and verifications to ensure fraud does not exist.
- D. Due professional care is displayed during a consulting engagement when the internal auditor focuses on potential benefits of the engagement rather than the cost

Answer: B

Explanation:

Due professional care is a critical concept in internal auditing, ensuring that auditors conduct their work with the necessary diligence and competence.

? Definition and Standards: According to the IIA's International Standards for the

Professional Practice of Internal Auditing (Standards), specifically Standard 1220 – Due Professional Care, internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.

Reference: Standard 1220 emphasizes that internal auditors must consider the extent of work needed to achieve the engagement's objectives and the cost of assurance in relation to potential benefits.

Expectation of Competence: The standard requires auditors to use their professional judgment and to exercise the level of skill and care that a reasonably prudent internal auditor would use in similar circumstances.

Practical Example: This includes evaluating the nature and complexity of the engagement, the adequacy and effectiveness of risk management, and control processes relevant to the engagement.

Comprehensive, Not Excessive: While due professional care involves being thorough, it does not mandate exhaustive procedures such as those implied in options A and C.

Clarification: Option A overstates the requirement by implying that all significant risks must be identified, which is not always feasible.

Clarification: Option C misinterprets due professional care by suggesting that extensive examinations and verifications to ensure fraud does not exist are always necessary, which is beyond the typical scope of many audits.

Cost vs. Benefit in Consulting: Option D refers to consulting engagements and the consideration of benefits over cost, which is a part of due professional care but does not capture the comprehensive expectation of care and skill.

Clarification: Due professional care in consulting engagements is about balancing benefits and costs but also involves ensuring quality and thoroughness appropriate to the engagement's objectives.

Conclusion: The correct answer is B, as it accurately reflects the IIA's guidance that internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor.

NEW QUESTION 170

Which of the following is applicable to both a job order cost system and a process cost system'?

- A. Total manufacturing costs are determined at the end of each period.
- B. Costs are summarized in a production cost report for each department
- C. Three manufacturing cost elements are tracked: direct materials, direct labor, and manufacturing overhead.
- D. The unit cost can be calculated by dividing the total manufacturing costs for the period by the units produced during the period.

Answer: C

Explanation:

Both job order cost systems and process cost systems track three manufacturing cost elements: direct materials, direct labor, and manufacturing overhead. These cost elements are essential in calculating the total production cost and determining the cost per unit.

? Direct Materials: The raw materials directly used in the production of goods.

? Direct Labor: The wages of workers who are directly involved in manufacturing the products.

? Manufacturing Overhead: Indirect costs associated with production, such as utilities, maintenance, and depreciation of equipment.

References:

? "Cost Accounting: A Managerial Emphasis," which details the tracking of manufacturing costs in different costing systems .

NEW QUESTION 172

A company makes a product at a cost of \$26 per unit, of which \$10 is fixed cost. The product is usually sold for \$30 per unit; however, the company has been approached by a new customer who would like to purchase 3,500 units for \$18 each. Further, the company would incur additional cost to deliver the units to this customer. If the company has the excess manufacturing capacity and all other factors are constant, what is the additional cost that the company would incur in order to make a profit of \$1.50 per unit for this order?

- A. \$0.50
- B. \$1.50
- C. \$2.50
- D. \$3.50

Answer: C

Explanation:

To determine the additional cost that the company would incur to make a profit of \$1.50 per unit for the new order, we need to calculate the relevant costs and desired profit margin:

? Current Cost and Selling Price: The current cost to produce one unit is \$26, with \$10 being fixed costs and \$16 being variable costs. The product is usually sold for \$30.

? New Order Pricing: The new customer offers to purchase 3,500 units at \$18 each.

The company needs to make a profit of \$1.50 per unit on this order.

? Calculation:

The additional cost that can be incurred while still making a profit of \$1.50 per unit is \$2.50

NEW QUESTION 176

A newly appointed chief audit executive (CAE) started analyzing the organization's policies in an attempt to customize them to address internal audit specifics. Which of the following organizationwide practices is most likely to be acceptable to the CAE?

- A. Internal auditors' performance evaluation is primarily based on both client satisfaction surveys and cost savings identified from the audits
- B. Standard training for each employee, including internal auditors, is 10 hours per year.
- C. To enhance efficiency, Internal auditors should not be rotated regularly among engagements
- D. Hiring practices include requiring potential auditors to disclose any significant stock ownership in the organization.

Answer: A

Explanation:

The statistical model indicates that daily sales have a direct relationship with the cost of ingredients used and an inverse relationship with rainy days.

? Option A: On a rainy day, if total sales are greater than expected compared to the cost of ingredients used, it may indicate discrepancies that could be a sign of employee theft. For instance, if ingredients are used but not reflected in the sales, it suggests that items might be missing (stolen).

? Option B: On a sunny day, lower-than-expected sales compared to the cost of ingredients could indicate wastage but not necessarily theft.

? Option C and D: Both scenarios where total sales and the cost of ingredients are higher or lower than expected do not specifically point to theft without additional context.

NEW QUESTION 180

Which of the following is the most appropriate way to ensure that a newly formed internal audit activity remains free from undue influence by management?

- A. Appoint the chief audit executive as a member of the board.
- B. Adopt written policies and procedures for the internal audit activity, approved by the board.
- C. Ensure the chief audit executive reports administratively to the audit committee.
- D. Establish the internal audit activity's position within the organization in an audit charter

Answer: D

Explanation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility.

Establishing the internal audit activity's position within the organization in an audit charter ensures independence and objectivity by clearly stating the internal audit's role and its reporting lines.

The charter should be approved by the board and senior management to reinforce its authority and protect the internal audit activity from undue influence by management

NEW QUESTION 185

According to IIA guidance, which of the following statements regarding the internal audit charter is true?

- A. The nature of consulting services typically is not included in the charter.
- B. The chief audit executive must formally review the charter at least once a year
- C. The nature of assurances provided to parties outside of the organization typically is not included in the charter.
- D. The charter typically defines the internal audit activity's position within the organization.

Answer: D

Explanation:

The internal audit charter outlines the internal audit activity's purpose, authority, and responsibility within the organization.

It defines the internal audit activity's position within the organization, including reporting lines, independence, and access to records, personnel, and physical properties relevant to the performance of engagements.

This clarity helps ensure that the internal audit activity can operate independently and effectively

NEW QUESTION 188

Which of the following statements is true regarding internal auditors and other assurance providers?

- A. Assurance providers who report to management and/or are part of management cannot provide control self-assessments services
- B. Internal auditors should always reperform and validate audit work completed by external assurance providers.
- C. Internal auditors may rely on the work of internal compliance teams to expand their coverage of the organization without increasing direct audit hours.
- D. Internal auditors can rely on the work of other assurance providers only if the other assurance providers report directly to the board

Answer: C

Explanation:

? Collaboration with Compliance Teams: Internal auditors often collaborate with internal compliance teams to leverage their work. This allows auditors to gain insights and expand their audit coverage efficiently.

? IIA Standards: According to the Institute of Internal Auditors (IIA), internal auditors can rely on the work of other assurance providers, including internal compliance teams, as long as the auditors assess the adequacy and competency of the compliance team's work.

? Efficiency in Audit Coverage: By relying on internal compliance teams, internal auditors can ensure comprehensive coverage of the organization without significantly increasing direct audit hours, thus enhancing efficiency.

: IIA Standard 2050 - Coordination and Reliance.

NEW QUESTION 193

Which of the following is the next step in understanding a business process once an internal auditor has identified the process?

- A. Determine process outputs
- B. Determine process inputs.
- C. Determine process activities.
- D. Determine process goals

Answer: C

Explanation:

Once an internal auditor has identified a business process, the next step is to understand the specific activities involved in that process. This includes mapping out each step or action taken within the process to gain a detailed understanding of how it operates. Identifying process activities helps in evaluating the efficiency, effectiveness, and potential risks associated with the process

NEW QUESTION 195

What is the primary reason that audit supervision includes approval of the engagement report?

- A. To ensure the objectives of the area under review are met
- B. To ensure senior management supports the reports conclusions
- C. To ensure report style and grammar are appropriate.
- D. To ensure report findings are substantiated

Answer: D

Explanation:

The primary reason for audit supervision, including the approval of the engagement report, is to ensure that the findings presented in the report are substantiated by adequate and appropriate evidence. This step is crucial to maintain the credibility and reliability of the audit process and its outcomes.

? Substantiation of Findings: Ensuring that findings are substantiated helps in providing a clear and defensible basis for the conclusions and recommendations made in the report.

? Audit Quality: This step ensures the quality and integrity of the audit process, confirming that the evidence collected during the audit is sufficient and appropriate to support the findings.

? Credibility: By substantiating findings, the report gains credibility, which is essential for the stakeholders who rely on the audit report for decision-making.

References:

? "Internal Audit Standards and Procedures," which outlines the importance of evidence substantiation in audit reports .

NEW QUESTION 197

Which of the following best describes why an internal audit activity would consider sending written preliminary observations to the audit client?

- A. Written observations allow for more interpretation.
- B. Written observations help the internal auditors express the significance.
- C. Written and verbal observations are equally effective.
- D. Written observations limit premature agreement

Answer: C

Explanation:

Audit workpapers are essential documents that provide evidence of the audit work performed and the conclusions reached.

? Option A: While review notes can be useful, they do not need to be retained if they do not add value to the audit evidence.

? Option B: Audit workpaper documentation policies are typically established by the internal audit department, not reviewed or approved by the audit committee.

? Option C: Management should not review the workpapers for accuracy as this could compromise the independence of the audit.

? Option D: Preparing workpapers helps auditors document their work thoroughly, facilitating learning and professional development.

NEW QUESTION 199

If the skills and competencies are not present within the internal audit activity to complete an ad-hoc assurance engagement, which of the following is an acceptable resolution?

- A. Politely decline the engagement due to a lack of qualified staff available at the time.
- B. Complete the engagement as requested, with the best of the current staff's abilities.
- C. Consider using employees from other departments in the organization on the audit team.
- D. Change the scope of the testing to ensure that only available staff proficiencies are used

Answer: C

Explanation:

? Introduction:

? Resolving Skill Gaps:

? Options Analysis:

? Conclusion:

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NEW QUESTION 204

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