

# Practice Exam Questions



The Institute of  
**Internal Auditors**



## CIA Exam Part Two

### Practice of Internal Auditing



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# **IIA**

## **Exam IIA-CIA-Part2**

### **Practice of Internal Auditing**

**Version: 12.1**

**[ Total Questions: 360 ]**

**Question No : 1**

Which of the following is not a primary purpose for conducting a walk-through during the initial stages of an assurance engagement?

- A. To help develop process maps.
- B. To determine segregation of duties.
- C. To identify residual risks.
- D. To test the adequacy of controls.

**Answer: D**

**Question No : 2**

An internal auditor wants to assess the completeness of sales invoices issued by the organization over a period of time. Providing that at the necessary data and analytics software is which of the following types of analyse would be appropriate to satisfy the auditor's objective?

- A. Payment terms analysis
- B. Duplicates analysts
- C. Aging analysis
- D. Gap analysis

**Answer: D**

**Question No : 3**

Which of the following is one of the five attributes that internal auditors include when documenting a deficiency?

- A. The criteria used to make the evaluation
- B. The methodology used to analyze data
- C. The proposed follow-up engagement work to be performed
- D. The scope of work performed during the engagement

**Answer: A**

**Question No : 4**

An internal auditor discovered that a new employee was granted inappropriate access to the payroll system. Apparently the IT specialist had made a mistake and granted access to the wrong new employee. Which of the following management actions would be most effective to prevent a similar issue from occurring again?

- A. Remove the new employee's excessive access rights and request that he report any future access error.
- B. Perform a complete review of all users who have access to the payroll system to determine whether there are additional employees who were granted inappropriate access.
- C. Review the system activity log of the employee to determine whether he used the inappropriate access to conduct any unauthorized activities in the payroll system.
- D. Provide coaching to the IT specialist and introduce a secondary control to ensure system access is granted in accordance with the approved access request.

**Answer: D**

**Question No : 5**

To effectively communicate the acceptance of risk in an organization a chief audit executive must first consider which of the following?

- A. The organization's view on risk tolerance
- B. The organization's principal risk events.
- C. The organization's risk response strategies
- D. The organization's major control activities

**Answer: A**

**Question No : 6**

The head of customer service asked the chief audit executive (CAE) whether internal auditors could assist her staff with conducting a risk self-assessment in the customer service department. The CAE promised to meet with customer service managers, analyze relevant business processes, and come up with a proposal. Who is most likely to be the final approver of the engagement objectives and scope?

- A. Senior management of the organization
- B. The chief audit executive
- C. The head of customer service
- D. The board of directors

**Answer: C**

**Question No : 7**

Upon the completion of an audit engagement an audit manager performs a review of a staff auditor's workpapers. Which of the following actions by the manager is the most appropriate this review"

- A.** Communicate the workpaper review results to management of the area under review to validate the final report
- B.** Update the final report in the file with any necessary corrections based on the workpaper review.
- C.** Discuss the workpaper review results with the staff auditor where appropriate as a learning opportunity
- D.** Add the manager's review notes to the final documentation following the review

**Answer: C**

**Question No : 8**

An internal auditor is assigned to validate calculations on the organization's building application. As part of the test the internal auditor is required to use an automated audit tool to simulate transactions for testing. Which of the following would most appropriately be used for this purpose?

- A.** Generalized audit software.
- B.** Utility software
- C.** Integrated test facilities
- D.** Audit expert systems

**Answer: C**

**Question No : 9**

Which of the following statements regarding the risk management process' support of the internal audit activity is true?

- A.** The risk management process can provide more extensive internal audit services to the organization if it does not have an internal audit department
- B.** The risk management process supports internal audit by evaluating whether critical

controls are adequate and effective.

**C.** The risk management process can determine whether all significant risks have been identified and are being treated.

**D.** The risk management process establishes an organization-specific documented risk management framework.

**Answer: A**

**Question No : 10**

While conducting an audit of a third party's Web-based payment processor, an internal auditor discovers that a programming error allows customers to create multiple accounts for a single mailing address. Management agrees to correct the program and notify customers with multiple accounts that the accounts will be consolidated. Which of the following actions should the auditor take?

1. Schedule a follow-up review to verify that the program was corrected and the accounts were consolidated.
2. Evaluate the adequacy and effectiveness of the corrective action proposed by management.
3. Amend the scope of the subsequent audit to verify that the program was corrected and that accounts were consolidated.
4. Submit management's plan of action to the external auditors for additional review.

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

**Answer: A**

**Question No : 11**

Which of the following is the primary reason for internal auditors to conduct interim communications with management of the area under review?

- A.** To demonstrate good project oversight  
**B.** To provide timely discussion of results  
**C.** To demonstrate internal auditor proficiency

**D.** To follow up on previously requested information

**Answer: D**

**Question No : 12**

Which of the following should be included in a privacy audit engagement?

1. Assess the appropriateness of the information gathered.
2. Review the methods used to collect information.
3. Consider whether the information collected is in compliance with applicable laws.
4. Determine how the information is stored.

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

**Answer: D**

**Question No : 13**

A newly promoted chief audit executive (CAE) is faced with a backlog of assurance engagement reports to review for approval. In an attempt to attach a priority for this review, the CAE scans the opinion statement on each report. According to IIA guidance, which of the following opinions would receive the lowest review priority?

1. Graded positive opinion.
2. Negative assurance opinion.
3. Limited assurance opinion.
4. Third-party opinion.

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

**Answer: C**

**Question No : 14**

Upon concluding the engagement fieldwork an internal auditor discusses the audit findings with operational management. There is a greater likelihood that the auditor will obtain a responsive action plan from management when both parties agree on which of the following attributes of the audit finding?

- A. Criteria
- B. Condition
- C. Cause
- D. Effect

**Answer: D**

**Question No : 15**

Which of the following best describes the four components of a balanced scorecard?

- A. Customers, innovation, growth, and internal processes.
- B. Business objectives, critical success factors, innovation, and growth.
- C. Customers, support, critical success factors, and learning.
- D. Financial measures, learning and growth, customers, and internal processes.

**Answer: D**

**Question No : 16**

After the team member who specialized in fraud investigations left the internal audit team, the chief audit executive decided to outsource fraud investigations to a third party service provider on an as needed basis. Which of the following is most likely to be a disadvantage of this outsourcing decision?

- A. Cost.
- B. Independence.
- C. Familiarity.
- D. Flexibility.



**Answer: C**

**Question No : 17**

Which of the following statements is false regarding roles and responsibilities pertaining to risk management and control?

- A.** Senior management is charged with overseeing the establishment risk management and control processes.
- B.** The chief audit executive is responsible for overseeing the evaluation risk management and control processes.
- C.** Operating managers are responsible for assessing risks and controls in their departments.
- D.** Internal auditors provide assurance about risk management and control process effectiveness.

**Answer: B**

**Question No : 18**

What type of audit engagement would be the most appropriate to determine how an organization could be more profitable in the long term?

- A.** Operational audit
- B.** Compliance and financial audit
- C.** Performance audit
- D.** Quality audit

**Answer: A**

**Question No : 19**

Which of the following is least likely to help ensure that risk is considered in a work program?

- A.** Risks are discussed with audit client.
- B.** All available information from the risk-based plan is used.
- C.** Client efforts to affect risk management are considered.

D. Prior risk assessments are considered.

**Answer: D**

**Question No : 20**

Which of the following recommendation types is most likely to propose the most long-term solutions?

- A. Condition-based recommendations
- B. Cause-based recommendations
- C. Effect-based recommendations
- D. Root cause-based recommendations

**Answer: D**

**Question No : 21**

The human resources (HR) department was last reviewed three years ago and is due for an assurance engagement after undergoing recent process changes. Which of the following would the most effective option identify the HR department's risks and controls?

- A. Meet with the chief operating officer to obtain information about the HR department
- B. Review the previous internal audit report and focus on key audit observations and action plans
- C. Review the organization's risk strategy and risk appetite framework
- D. Discuss the department's present strategies and objectives with the head of the HR department

**Answer: D**

**Question No : 22**

An internal auditor tested whether purchase orders were supported by appropriately approved purchase requisitions. She sampled a population of purchase documents and identified instances where purchase requisitions were missing. However, she did not notice that in some cases purchase requisitions were approved by an unauthorized person. Which of the following risks most appropriately describes this situation?

- A. Nonsampling risk
- B. Sampling risk
- C. Inherent risk
- D. Due diligence risk

Answer: A

**Question No : 23**

Which of the following statements is true regarding internal controls?

- A. For assurance engagements internal auditors should plan to assess the effectiveness of all entity-level controls
- B. Poorly designed or deficient entity-level controls can prevent well-designed process controls from working as intended.
- C. During engagement planning, internal auditors should not discuss the identified key risks and controls with management of the area under review to prevent tipping off probable audit lasts
- D. Reviewing process maps and flowcharts is an appropriate method for the internal auditor to identify all key risks and controls during engagement planning

Answer: B

**Question No : 24**

An internal auditor is assessing the organization's risk management framework. Which of the following formulas should he use to calculate the residual risk?

A)  $(Probability\ of\ events) \times (Control) \times (Asset\ value)$

B)  $(Probability\ of\ events) \times (Impacts) \times (Controls\ gap)$

C)  $(Probability\ of\ events) \times (Impacts)$

D)  $(Probability\ of\ events) \times (Asset\ value) \times (Vulnerability) \times (Controls)$

D)

- B. Option B
- C. Option C
- D. Option D

**Answer: B**

**Question No : 25**

An internal auditor has been assigned to facilitate a risk and control self-assessment for the finance group. Which of the following is the most appropriate role that she should assume when facilitating the workshop?

- A. Express an opinion on the participants' inputs and conclusions as the assessment progresses.
- B. Provide appropriate techniques and guidelines on how the exercise should be undertaken.
- C. Evaluate and report on all issues that may be uncovered during the exercise.
- D. Screen and vet participants so that the most appropriate candidates are selected to participate in the exercise.

**Answer: B**

**Question No : 26**

After concluding a preliminary assessment, the engagement supervisor prepared a draft work program. According to HA guidance, which of the following would be tested by this program?

- A. The process objectives.
- B. The process risks
- C. The process controls
- D. The process scope

**Answer: C**

**Question No : 27**

Which of the following is an appropriate role for the internal audit activity with regard to the

organization's risk management program?

- A. Identify and manage risks in line with the organization's risk appetite.
- B. Ensure that a proper and effective risk management process exists.
- C. Attain an adequate understanding of the organization's key risk mitigation strategies.
- D. Identify and ensure that appropriate controls exist to mitigate risks.

**Answer: C**

**Question No : 28**

An employee in the sales department completes a purchase requisition and forwards it to the purchaser. The purchaser places competitive bids and orders the requested items using approved purchase orders. When the employee receives the ordered items, she forwards the packing slips to the accounts payable department. The invoice for the ordered items is sent directly to the sales department, and an administrative assistant in the sales department forwards the invoices to the accounts payable department for payment. Which of the following audit steps best addresses the risk of fraud in the cash receipts process?

- A. Verify that approvals of purchasing documents comply with the authority matrix.
- B. Observe whether the purchase orders are sequentially numbered.
- C. Examine whether the sales department supervisor approves invoices for payment.
- D. Determine whether the accounts payable department reconciles all purchasing documents prior to payment.

**Answer: C**

**Question No : 29**

Which of the following is the primary purpose of implementing a program whereby employees are rotated from other parts of the organization into the internal audit activity?

- A. It provides the internal audit activity with more resourcing options to meet the audit plan
- B. It offers internal auditors the opportunity to learn more about other work areas.
- C. It gives nonauditors a better understanding of the control environment.
- D. It provides an opportunity for the recruitment of employees as permanent internal auditors

**Answer: B**

**Question No : 30**

According to IIA guidance, which of the following would not be a consideration for the internal audit activity (IAA) when determining the need to follow-up on recommendations?

- A. Degree of effort and cost needed to correct the reported condition.
- B. Complexity of the corrective action.
- C. Impact that may result should the corrective action fail.
- D. Amount of resources required to conduct the follow-up activities.

**Answer: D**

**Question No : 31**

The chief audit executive (CAE) should determine whether the internal audit activity has confirmed the status of all of management's corrective actions. Doing so would help the CAE assess which of the following?

- A. Disclosure risk.
- B. Residual risk
- C. Compliance risk
- D. Inherent risk

**Answer: B**

**Question No : 32**

Management has taken immediate action to address an observation received during an audit of the organization's manufacturing process. Which of the following is true regarding the validity of the observation closure?

- A. Valid closure requires evidence that ensures the corrected process will function as expected in the future.
- B. Valid closure requires the client to address not only the condition, but also the cause of the condition.
- C. Valid closure of an observation ensures it will be included in the final engagement report.
- D. Valid closure requires assurance from management that the original problem will not recur in the future.

**Answer: A**

**Question No : 33**

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
- D.** hours Internal auditors can rely on the work of other assurance providers only if the other assurance providers report directly to the board

**Answer: C**

**Question No : 34**

Which of the following statements is true regarding the chief audit executive's (CAE) responsibilities after completing an assurance or consulting engagement?

- A.** The CAE must establish a follow-up process for both assurance and consulting engagements to monitor that management actions have been effectively implemented to address observations
- B.** The CAE must communicate the results of assurance and consulting engagements to whoever can ensure that the results are given due consideration.
- C.** The CAE must acknowledge satisfactory performance when communicating the results of assurance and consulting engagements
- D.** The CAE may delegate the responsibility for communicating the results of consulting engagements although this responsibility cannot be delegated for assurance engagements

**Answer: B**

**Question No : 35**

Which of the following should be described in the recognition element of a typical internal audit report?