



IIA-CIA-PART1^{Q&As}

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

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QUESTION 1

What is audit risk?

- A. Internal and external risk factors that exist when there are no controls implemented.
- B. The amount of risk that is reduced through risk management operations.
- C. An incorrect conclusion based on evidence uncovered during an audit.
- D. The risk that remains after management has executed risk management activities.

Correct Answer: C

QUESTION 2

In order to use "Conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, " an internal audit activity must:

- A. Satisfy all requirements of the International Professional Practices Framework during each internal audit engagement.
- B. Complete an external assessment of quality assurance to demonstrate compliance with the Standards.
- C. Establish a continuous quality assurance and improvement program.
- D. Have its charter reviewed and approved by management and the board.

Correct Answer: B

QUESTION 3

Which of the following actions would be a violation of the IIA Code of Ethics?

- A. Excluding an issue in the final audit report after management has resolved the issue.
- B. Reporting information that could be damaging to the organization, at the request of a court of law.
- C. Failing to return a free promotional pen to a vendor related to the audit activity.
- D. Declining an audit engagement for which the auditor does not have the necessary experience or training.

Correct Answer: A

QUESTION 4

Non-statistical sampling does not require which of the following?

- A. The sample to be representative of the population.



- B. The sample to be selected haphazardly.
- C. A smaller sample size than if selected using statistical sampling.
- D. Projecting the results to the population.

Correct Answer: C

QUESTION 5

During an internal audit, the internal auditor compares the employee turnover rate in the area being audited with the employee turnover rate in the organization as a whole.

This is an example of which of the following analytical auditing procedures?

- A. Reasonableness test.
- B. Regression analysis.
- C. Benchmarking.
- D. Trend analysis.

Correct Answer: C

QUESTION 6

Risk assessments can vary in format, but generally include.

- I. A description of identified risks.
- II. Tests of audit controls.
- III. A system of rating risks.
- IV. Sample size identification.

- A. I and II only
- B. I and III only
- C. I, III, and IV only
- D.



II, III, and IV only

Correct Answer: B

QUESTION 7

Which of the following statements correctly describes how workpaper standards can improve the efficiency of internal audit operations?

- A. They require supervisors to provide written confirmation of the workpapers they review.
- B. They grant external parties approved by management access to workpapers.
- C. They mandate the workpaper retention period.
- D. They allow the design and content to vary depending on the nature of the engagement.

Correct Answer: D

QUESTION 8

An internal auditor prepared a workpaper that consisted of a list of employee names and identification numbers as well as the following statement:

"A statistical sample of 40 employee personnel files was selected to verify that they contain all documents required by company policy 501 (copy attached). No exceptions were noted."

The auditor did not place any audit verification symbols on this workpaper.

Which of the following changes would most improve the auditor's workpaper?

- A. Use of audit verification symbols to show that each file was examined.
- B. Removal of the employee names to protect their confidentiality.
- C. Justification for the sample size.
- D. Listing of the actual documents examined for each employee.

Correct Answer: C

QUESTION 9

The best reason for separating the cash-receiving function from the related record-keeping function is to:

- A. Segregate cash payments from cash receipts.
- B. Provide accountability for cash received.
- C. Minimize misappropriations in cash receipts.



D. Improve physical security over the cash-receiving function.

Correct Answer: C

QUESTION 10

In which of the following circumstances is it apparent that the internal auditor exercised due professional care in carrying out his duties?

1.

The internal auditor weighed the cost of the engagement against its potential benefits.

2.

The internal auditor used anonymous information from a whistleblower to report the existence of fraudulent activity.

3.

The internal auditor found minor and major instances of fraud and highlighted only the major instances in its report, in consideration of the board's limited time.

4.

The internal auditor decided to use new auditing software to assist with the statistical analysis required during the engagement.

A. 1 and 2 only

B. 2 and 3 only

C. 3 and 4 only

D. 1 and 4 only

Correct Answer: D

QUESTION 11

During an internal audit, an organization's processing department is found to have incidences of both duplicate invoices and notices from customers that purchased goods were not received. The department under review insists that some of these reports are false and that others were isolated oversights due to understaffing.

Which of the following tests would best help the internal auditor detect fraudulent activity?

A. Check inventory levels.

B. Search for gaps in check numbers.

C. Compare vendor summaries.

D. Review raw material purchase quantities.



Correct Answer: A

QUESTION 12

Which of the following lists the audit activities in the order in which they would generally be completed during a preliminary survey?

- I. Write detailed audit procedures.
- II. Identify client objectives, goals, and standards.
- III. Identify risks and controls intended to prevent associated losses.
- IV. Determine relevant engagement objectives.

- A. II, I, IV, III.
- B. II, III, IV, I.
- C. III, IV, II, I.
- D. II, IV, I, III.

Correct Answer: B

QUESTION 13

With regard to external assessments of an internal audit activity (IAA), which of the following is the chief audit executive required to discuss with the board?

- A. External reviewer conflicts of interest, and the need for an external assessment more frequently than once every five years.
- B. External reviewer conflicts of interest, and the timeline of the external assessment.
- C. The need for an external assessment more frequently than once every five years, and the simplest method for the external reviewer to join the IAA's organization.
- D. The simplest way for the external reviewer to join the IAA's organization, and the timeline of the external assessment.

Correct Answer: A

**QUESTION 14**

Which of the following best describes the trait that an internal auditor exercises when considering the extent of work needed to achieve the engagement's objectives?

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

Correct Answer: B

QUESTION 15

After being terminated due to downsizing, an internal auditor finds a different job with an organization in the same industry. Which of the following actions would violate the IIA Code of Ethics?

- A. To determine audit priorities in the new job, the auditor uses the audit risk approach that the auditor's previous employer used, without receiving permission to do so.
- B. At the new organization, the auditor is asked to develop forms to implement probability-proportional-to-size sampling. Although unsure of how to perform this type of sampling, the auditor proceeds without asking for assistance.
- C. In preparing for an audit at the previous organization, the auditor had conducted a great deal of research on the Internet at home to identify best practices for the management of a treasury function. The auditor has retained much of the research and uses it to conduct an audit of the new employer's treasury function.
- D. In the first week at the new organization, the auditor discovers a high fraud risk surrounding the organization's database and suggests that the information technology department implement a new password system to prevent fraudulent actions before they occur.

Correct Answer: B

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