



IIA-CIA-PART2^{Q&As}

Certified Internal Auditor - Part 2, Conducting the Internal Audit Engagement

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QUESTION 1

Which of the following actions has the least influence on the chief audit executive's development of an audit plan?

- A. Input from senior management and the board.
- B. An evaluation of the complexity of each audit engagement.
- C. Changes in the organizations structure or budget.
- D. An assessment of risk and exposures affecting the organization.

Correct Answer: B

QUESTION 2

According to IIA guidance, which of the following is true about the supervising internal auditor's review notes?

- 1.
They are discussed with management prior to finalizing the audit.
 - 2.
They may be discarded after working papers are amended as appropriate.
 - 3.
They are created by the auditor to support her fieldwork in case of questions.
 - 4.
They are not required to support observations issued in the audit report.
- A. 1 and 3 only
 - B. 1 and 4 only
 - C. 2 and 3 only
 - D. 2 and 4 only

Correct Answer: D

QUESTION 3

According to the Standards, which of the following would have the least direct interest in the draft report of a compliance review of the purchasing function?

- A. Purchasing staff.



- B. Purchasing manager.
- C. Director of finance.
- D. Audit committee.

Correct Answer: D

QUESTION 4

According to IIA guidance, which of the following should be considered when creating policies and procedures for the internal audit activity (IAA)?

- A. Number of auditors, complexity of audit activities, and structure of the IAA.
- B. Number of auditors, complexity of audit activities, and audit staff skills and competencies.
- C. Number of auditors, structure of the IAA, and audit staff skills and competencies.
- D. Complexity of audit activities, structure of the IAA, and audit staff skills and competencies.

Correct Answer: A

QUESTION 5

Which of the following would be included in an internal audit department's quality assurance and improvement program?

1.
Ongoing internal assessments of the performance of the internal audit department.
2.
Periodic internal reviews through self-assessments.
3.
Assessments conducted by a qualified external reviewer at least once every five years.

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

Correct Answer: D

QUESTION 6



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

A. Option A

B. Option B

C. Option C

D. Option D

Correct Answer: B

QUESTION 7

An organization's finance manager plans to implement a state-of-the-art management system to better manage the organization's receivables. The finance manager consulted the chief audit executive (CAE) and asked for her assistance in determining whether the organization is able to accommodate this system. How would the CAE proceed to determine the objectives of this engagement?

- A. Ask the CEO to determine the scope and objectives of the engagement.
- B. Request that the board disclose its concerns over governance for inclusion in the engagement.
- C. Discuss the concerns with the finance manager and work together to agree on the engagement objectives.
- D. Review previous audit reports from the area and develop engagement objectives to address the area's key risks and controls.

Correct Answer: B

QUESTION 8

Which of the following best describes a risk that is deemed "unacceptable" to the organization?

- A. A risk where likelihood and impact are high.
- B. A risk where inherent risk exceeds its residual risk.
- C. A risk where inherent risk exceeds the tolerance level.
- D. A risk where residual risk exceeds the tolerance level.



Correct Answer: C

QUESTION 9

Which of the following best describes the primary concern of the audit manager upon review of engagement working papers of an auditor?

- A. To ensure adequate control over the custody of working papers is exercised by the auditor.
- B. To ensure that as part of the documentation the auditor collected original documents that can corroborate the audit findings.
- C. To ensure that the work papers create background for subsequent reviews.
- D. To ensure that the audit programs are followed by the auditor.

Correct Answer: D

QUESTION 10

New credit policies have been implemented in an automated order-entry system to improve the collection of receivables. Sales management has compiled several examples that show decreased sales and

delayed order entry, and contends that these examples are a direct result of the new credit-policy constraints. Sales management's data and information provide.

- A. Feedback control data.
- B. Irrelevant and argumentative information.
- C. Evidence that the new credit policies do not meet the stated corporate objective to improve collections.
- D. A statistically valid conclusion about the impact of the new credit policies on customer goodwill.

Correct Answer: A

QUESTION 11

The chief audit executive (CAE) for a manufacturing company included in this year's audit plan a review of the company's laboratory, using an experienced external service provider. The audit plan was approved by the audit committee without any changes. At the time of engaging the external service provider, the CAE also secured the approval from the CEO. Who is responsible for ensuring that the conclusions reached for this exercise are adequately supported?

- A. Audit committee.
- B. EO.
- C. CAE.
- D. External service provider.



Correct Answer: A

QUESTION 12

Which of the following actions by management would reduce an employee's opportunity to commit fraud?

- A. Establishing physical controls over company assets.
- B. Eliminating bonuses tied to sales or other performance goals.
- C. Defining ethical behavior expectations in the company handbook.
- D. Identifying consequences, such as termination, for fraudulent activities.

Correct Answer: A

QUESTION 13

Senior management requested that the internal audit activity perform a consulting project to assist in making a decision on a new software system. Which of the following would be used to determine the engagement objectives?

- A. An assessment of risks to the business objectives.
- B. An understanding of the engagement client's expectations.
- C. The probability of significant errors, fraud, or noncompliance.
- D. Criteria previously established by the board.

Correct Answer: A

QUESTION 14

An organization is expanding into a new line of business, selling natural gas. The internal auditor is planning an engagement and wants to obtain a general understanding of the natural gas market, the market share that the organization wants to win, and the competitive advantage that the organization may have. Which of the following would be the best source of such information?

- A. Interview responsible managers and read strategic documents.
- B. Conduct internet searches on gas sales and analyze market players.
- C. Review gas clients' portfolio and compile statistics on sales margins.
- D. Analyze the organization's revenues and calculate the proportion of gas.

Correct Answer: C

QUESTION 15



According to IIA guidance, which of the following accurately describes the responsibilities of the chief audit executive with respect to the final audit report?

1.

Coordinate post-engagement conferences to discuss the final audit report with management.

2.

Include management's responses in the final audit report.

3.

Review and approve the final audit report.

4.

Determine who will receive the final audit report.

A. 1 and 2

B. 1 and 4

C. 2 and 3

D. 3 and 4

Correct Answer: D

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