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Vendor:IIA

Exam Code:IIA-CIA-PART1

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

Version:Demo

QUESTION 1

An internal auditor is checking the accuracy of a computer-printed inventory listing to determine whether the total dollar value of inventory is significantly overstated. Because there is no time or resources to check all items in the warehouse, a sample of inventory items must be used. If the sample size is fixed, which of the following would be the most accurate sampling approach?

- A. Select those items that are most easily inspected.
- B. Employ simple random sampling.
- C. Sample so that the probability of a given inventory item being selected is proportional to the number of units sold for that item.
- D. Sample so that the probability of a given inventory item being selected is proportional to its book value.

Correct Answer: D

QUESTION 2

According to the International Professional Practices Framework, a review team must express an opinion on which of the following when performing an external assessment of an internal audit activity?

- I. Conformance with the Standards and IIA Code of Ethics.
- II. Effectiveness of continuous improvement activities.
- III. Feedback from internal audit customers and other stakeholder groups.
- IV. Efficiency and effectiveness of the internal audit activity's administration processes.

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

Correct Answer: A

QUESTION 3

Which of the following combinations of conditions is most likely a red flag for fraud?

- A. The practice of surprise audits and the implementation of an employee support program.
- B. Hiring an employee with a prior fraud conviction and yearly management review.
- C. Occasional accounting department overrides and discontinuation of the anonymous fraud hotline due to infrequent use.
- D. A veteran employee in upper management experiencing financial difficulties and recently implemented enhanced controls.

Correct Answer: C

QUESTION 4

To determine if a new computer system is improving the use of a manufacturer's limited facilities in serving the largest number of customers, an auditor should compare.

- A. The number of reworked orders and their costs before and after system installation.
- B. Inventory and materials handling costs before and after system installation.
- C. The number of orders filled and their cycle times before and after system installation.
- D. The number of reworked orders and orders filled before and after system installation.

Correct Answer: C

QUESTION 5

Which of the following would most likely function as a detective control?

- A. Security dogs.
- B. Alert employees.
- C. Insurance claims.
- D. Cycle counts.

Correct Answer: D

QUESTION 6

Which fraudulent act is designed primarily to benefit the organization?

- A. Fictitious sale or assignment of assets.

- B. Authorization of payment for hours not worked.
- C. Theft or misappropriation of funds.
- D. Acceptance of bribes or kickbacks.

Correct Answer: A

QUESTION 7

An internal auditor is researching the laws and regulations related to a city's grant program. Which of the following procedures is least relevant to this task?

- A. Making inquiries of the audit committee about the nature of the grants.
- B. Reviewing prior-year workpapers and asking officials if there have been any changes.
- C. Reviewing applicable grant agreements.
- D. Discussing the matter with the city's chief financial officer, legal counsel, or grant administrators.

Correct Answer: A

QUESTION 8

An external quality assurance review which was authorized by the chief audit executive (CAE) indicated significant findings from the Standards. To whom should the final results of the quality assurance review be reported?

- A. Confidentially to the CAE only
- B. The CAE with copies to the board and senior management.
- C. To the board with copies to the external auditor or regulatory oversight body.
- D. To the senior management with a copy to the board.

Correct Answer: B

QUESTION 9

Senior management at a financial institution has received allegations of fraud at its derivatives trading desk and has asked the internal audit activity to investigate and issue a report concerning the allegations. The internal audit activity has not yet developed sufficient proficiency regarding derivatives trading to conduct a thorough fraud investigation in this area. Which of the following courses of action should the chief audit executive (CAE) take to comply with the Standards?

- A. Engage the former head of the institution's derivatives trading desk to perform the investigation and submit a report with supporting documentation to the CAE.
- B. Request that senior management allow a delay of the fraud investigation until the internal audit activity's on-staff certified fraud examiner is able to obtain the appropriate training regarding the analysis of derivatives trading.

C. Request that senior management exclude the internal audit activity from the investigation completely and instead contract with an external certified fraud examiner with derivatives experience to perform all aspects of the investigation and subsequent reporting.

D. Contract with an external certified fraud examiner with derivatives experience to perform the investigation and subsequent reporting, with the chief audit executive approving the scope of the investigation and evaluating the adequacy of the work performed.

Correct Answer: D

QUESTION 10

Which of the following is true with respect to the risk assessment process?

- A. The ethical climate should not be included since this factor cannot be measured quantitatively.
- B. More than one risk factor may have to be used to ensure that the risk assessment is comprehensive.
- C. Each risk factor should be given equal weighting in order to reduce the opportunity for bias.
- D. The risk assessment process should be conducted at least every three years.

Correct Answer: B

QUESTION 11

If an internal auditor discloses confidential information in response to a lawsuit, the internal auditor has violated.

- A. The IIA Code of Ethics.
- B. The Standards.
- C. Both the IIA Code of Ethics and the Standards.
- D. Neither the IIA Code of Ethics nor the Standards.

Correct Answer: D

QUESTION 12

An organization's external auditor has prepared a list of risks and issues and has recommended to senior management that the internal audit activity focus on these items. Senior management has forwarded the list to the chief audit executive (CAE). The CAE should:

- A. Incorporate the external auditor's requirements into the internal audit plan.
- B. Ignore the external auditor's requirements because they are outside of the internal audit activity's planned scope of work.
- C. Consider the issues raised by the external auditor for possible inclusion in the planned scope of work.

D. Report the risks and issues to the audit committee for possible future attention.

Correct Answer: C