

IIA

IIA-CIA-Part2

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Question: 1

According to IIA guidance, which of the following actions might place the independence of the internal audit function in jeopardy?

- A. Having no active role or involvement in the risk management process.
- B. Auditing the risk management process for reasonableness.
- C. Coordinating and managing the risk management process.
- D. Participating with management in identifying and evaluating risks.

Answer: C

Explanation:

According to the Institute of Internal Auditors (IIA) guidance, the independence and objectivity of the internal audit function are fundamental principles. Independence is compromised if the internal audit function takes on roles or responsibilities that are part of management's duties. Coordinating and managing the risk management process is a management responsibility. If internal auditors assume this role, it impairs their ability to remain independent and objective when auditing the effectiveness of the risk management process. Reference: IIA Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing

Question: 2

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

Explanation:

According to the IIA guidance, when determining the need to follow-up on recommendations, the internal audit activity should consider factors such as the degree of effort and cost needed to correct the reported condition, the complexity of the corrective action, and the impact that may result should the corrective action fail. These factors are critical in assessing the importance and urgency of follow-up. However, the amount of resources required to conduct the follow-up activities should not be a primary consideration, as the focus should be on the significance of the issues and the potential risks associated with them. Reference: IIA Standard 2500 – Monitoring Progress, IIA Practice Advisory 2500.A1-1

Question: 3

Which of the following is an appropriate responsibility for the internal audit activity with regard to the organization's risk management program?

- A. Identifying and managing risks in line with the entity's risk appetite.
- B. Ensuring that a proper and effective risk management process exists.
- C. Attaining an adequate understanding of the entity's key mitigation strategies.
- D. Identifying and ensuring that appropriate controls exist to mitigate risks.

Answer: B

Explanation:

The internal audit activity's role in regard to the organization's risk management program includes ensuring that a proper and effective risk management process is in place. This involves evaluating the risk management processes and providing assurance that risks are identified and managed effectively. The internal audit activity should not be responsible for managing risks (Option A), but should ensure there is a systematic process (Option B). Attaining an adequate understanding of key mitigation strategies (Option C) and identifying appropriate controls (Option D) are part of the audit process, but ensuring the existence of a proper process is the primary responsibility. Reference: IIA Standard 2120 – Risk Management

Question: 4

Which of the following is a detective control for managing the risk of fraud?

- A. Awareness of prior incidents of fraud.
- B. Contractor non-disclosure agreements.
- C. Verification of currency exchange rates.
- D. Receipts for employee expenses.

Answer: D

Explanation:

Detective controls are designed to identify and detect errors or fraud after they have occurred. Receipts for employee expenses serve as a detective control by providing evidence of transactions, enabling verification and review of expenses to identify any fraudulent or unauthorized activities. Awareness of prior incidents of fraud (Option A) is more of a preventive control, contractor non-disclosure agreements (Option B) are preventive controls to mitigate risks of information leakage, and verification of currency exchange rates (Option C) is more of a transaction control. Reference: IIA Glossary – Detective Controls, COSO Framework

Question: 5

Which of the following is a justifiable reason for omitting advance client notice when planning an audit engagement?

- A. Advance notice may result in management making corrections to reduce the number of potential deficiencies.
- B. Previous management action plans addressing prior internal audit recommendations remain incomplete.
- C. The engagement includes audit assurance procedures such as sensitive or restricted asset verifications.
- D. The audit engagement has already been communicated and approved through the annual audit plan.

Answer: C

Explanation:

Omitting advance client notice when planning an audit engagement is justifiable if the engagement includes audit assurance procedures that involve sensitive or restricted assets. Providing advance notice in such cases could compromise the integrity of the audit, as it may give management an opportunity to conceal or alter the status of these assets. The goal is to ensure that the auditors can observe the actual condition and handling of sensitive assets without any prior alteration. Reference: IIA Standard 2201 – Planning Considerations, IIA Practice Advisory 2201-1

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