



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**

An audit to test the system of controls over the purchase, distribution, and use of radioactive material is being conducted at a company's plants. The process is well documented, and employees in the safety department are very familiar with the department's procedures. Since the purchasing and facilities departments are involved in the process, the auditor is considering reviewing their radioactive material-handling procedures as well. The auditor should:

- A. Have confidence in the rigorous and detailed safety department procedures, since that department has the main responsibility for radiation safety, and should not use audit time to review other departments.
- B. Adjust the engagement schedule and budget, if needed, and interview the appropriate individuals in the purchasing and facilities departments to ascertain whether additional controls exist that complement those identified within the safety department.
- C. Test the controls identified within the safety department; if results are unfavorable, the auditor should consider whether to involve the other departments.
- D. Defer questions regarding purchasing, facilities, and other departments until audit projects can be scheduled for those departments.

Correct Answer: B

QUESTION 2

Which of the following internal controls is likely to prevent pollution from waste disposal before it occurs, rather than detect it after it occurs?

- A. Identification of large budget variances in disposal costs for hazardous chemicals.
- B. Restricted access to environmental department files.
- C. Formal on-the-job training program conducted by the environmental staff.
- D. Samples of water and solid waste taken daily with the results recorded in a log.

Correct Answer: C

QUESTION 3

Reportable audit findings must be:

- I. Documented by facts.
- II. Supported by relevant evidence.
- III. Agreed to by management of the audited area.
- IV. Convincing enough to compel corrective action.



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

Correct Answer: C

QUESTION 4

Internal auditors can benefit from a strong relationship with the external auditors because external auditors can: A. Provide internal auditors with an independent and knowledgeable viewpoint.

- B. Concur with the internal auditors' reports and thus improve the quality of assurance provided to management.
- C. Increase the effectiveness of internal control sampling techniques.
- D. Assist the internal auditor by providing information obtained from similar audits with other clients.

Correct Answer: A

QUESTION 5

The chief audit executive should periodically report the internal audit activity's purpose, authority, responsibility, and performance, as well as significant risk exposures and control issues, to which of the following?

- I. Board of directors.
- II. Senior management.
- III. Shareholders.
- IV.
External auditors.

- A.
II only
- B.
I and II only



C.

I, II, and III only

D.

I, III, and IV only

Correct Answer: B

QUESTION 6

An internal auditor for a large retail chain suspects that a store manager has been stealing money from cash sales by listing the sales as accounts receivable and then writing off the accounts as bad debts. Which of the following irregularities is the most likely cause of the auditor's suspicion?

A. A much higher bad debt expense as a percentage of sales than that of previous years.

B. A much higher bad debt expense as a percentage of sales than that of other stores.

C. A much higher percentage of past-due accounts receivable than that of other stores.

D. A much higher percentage of past-due accounts receivable than that of previous years.

Correct Answer: B

QUESTION 7

Which of the following is not part of the five-attribute approach to developing documentation for an audit observation?

A. Condition.

B. Effect.

C. Management response.

D. Recommendation.

Correct Answer: C

QUESTION 8

In selecting a team to perform an internal audit of a purchasing operation, which of the following characteristics would not preclude an auditor from being selected?

1.

The auditor's spouse is employed by the clerical section of the purchasing records unit.

2.



The auditor had been a purchasing agent five years earlier.

3.

The auditor's family owns a business that regularly sells goods to the organization.

4.

The auditor has received a desk calendar as a promotional gift from a vendor.

A. 1 and 3 only

B. 1 and 4 only

C. 2 and 3 only

D. 2 and 4 only

Correct Answer: D

QUESTION 9

Which of the following would be the least significant consideration when performing a risk analysis?

A. Financial exposure and potential loss.

B. Skills available within the audit staff.

C. Results of prior audits.

D. Major operating changes.

Correct Answer: B

QUESTION 10

Which of the following best ensures an internal audit activity has the ability to render impartial and unbiased assessments?

A. Organizational status and objectivity.

B. Supervision of the chief audit executive (CAE) by senior management.

C. Organizational knowledge and skills.

D. CAE certification.

Correct Answer: A

QUESTION 11



Which of the following would be an appropriate outcome of a quality assurance and improvement program in an internal audit activity?

1.
Modification of resources.
2.
Corrections to procedures.
3.
Changes in processes.
4.
Implementation of new technology.

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

Correct Answer: D

QUESTION 12

Which of the following would be most relevant regarding the internal control environment?

- A. Assessing controls over computerized applications.
B. Documenting the organizational structure.
C. Comparing and validating internal performance with external benchmarking.
D. Maintaining and reviewing detailed financial records.

Correct Answer: B

QUESTION 13

When conducting a preliminary survey, which of the following audit activities should an internal auditor complete first?

- A. Identify risks and controls intended to prevent associated losses.
B. Write detailed audit procedures.
C. Identify client objectives, goals, and standards.



D. Determine relevant engagement objectives.

Correct Answer: C

QUESTION 14

Which of the following results from computer assisted audit techniques provides the most significant indication that additional audit work is needed?

- A. Several exact matches were found when vendor and employee addresses were compared.
- B. The sum of credit entries on the bank statement did not equal the sum of collections for the same period.
- C. Sorting the check register file by vendor name identified missing sequences of check numbers.
- D. Matching the accounts payable transaction file with the purchase order request file resulted in many differences between the person requesting the purchase order and the person authorizing payment.

Correct Answer: A

QUESTION 15

Which of the following is an appropriate consideration by the auditor when preparing an engagement program for a human resource audit?

- A. State the work steps in the form of questions.
- B. Use standard audit program for HR from previous years.
- C. Include in the audit program certain audit tests requested by audit client.
- D. Defer preparation of the audit program after the field work.

Correct Answer: C

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