

# DUMPS ARENA

## Essentials of Internal Auditing

IIA IIA-CIA-Part1

Version Demo

Total Demo Questions: 20

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## Topic Break Down

Topic	No. of Questions
Topic 1, New Update	227
Topic 2, Volume A	99
Topic 3, Volume B	100
Topic 4, Volume C	100
Topic 5, Volume D	100
Topic 6, Volume E	100
Topic 7, Volume F	67
<b>Total</b>	<b>793</b>

**QUESTION NO: 1**

Which of the following best contributes to the effectiveness of the internal audit activity in an organization?

- A. Appropriate terms of internal audit scope and responsibility in the charter.
- B. Appropriate compliance coverage in the annual audit plan.
- C. Regular review of the audit charter by management.
- D. Assurance of internal audit objectivity by the board.

**ANSWER: A****QUESTION NO: 2**

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

**ANSWER: B****QUESTION NO: 3**

Within the internal audit process, which of the following is not a significant advantage of employing a control model?

- A. It provides guidance on identifying control deficiencies for each internal audit engagement.

- B. It recognizes the need to evaluate both hard and soft controls.
- C. It assists internal auditors in assessing the achievement of management's objectives.
- D. It validates the findings and recommendations of the internal audit.

**ANSWER: D**

#### QUESTION NO: 4

What type of risk management strategy is being employed when an organization installs two firewalls to provide protection from unauthorized access to the network?

- A. Diversifying the risk that network access will not be available to legitimate, authorized users.
- B. Accepting the risk that there may be attempts at unauthorized access to the network.
- C. Avoiding the risk of having a direct network connection to un-trusted networks.
- D. Sharing the risk that either firewall could be compromised by hackers.

**ANSWER: A**

#### QUESTION NO: 5

Some of a company's payroll transactions were batch posted to the payroll file but were not uploaded correctly to the general ledger file on the mainframe. The best control to detect this type of error would be.

- A. Edit controls on the payroll file.
- B. Appropriate segregation of duties for batch approval.
- C. Validation of hash totals.
- D. Reconciliation of paychecks to the bank account.

**ANSWER: C**

#### QUESTION NO: 6

The chief audit executive for an organization has just completed a risk assessment process, identified the areas with the highest risk, and assigned an audit priority to each. Which of the following statements is true and consistent with the International Professional Practices Framework?

- I. Items should be ranked in the order of quantifiable dollar exposure to the organization.
- II. The audit priorities should be in order of major control deficiencies.

III. The risk assessment, though quantified, is the result of professional judgments about both exposures and probability of occurrences.

A. I only

B. III only

C. II and III only

D. I, II, and III.

E. Items should be ranked in the order of quantifiable dollar exposure to the organization.

II. The audit priorities should be in order of major control deficiencies.

III. The risk assessment, though quantified, is the result of professional judgments about both exposures and probability of occurrences.

**ANSWER: B**

#### QUESTION NO: 7

Which of the following controls within a spreadsheet would address the risk of logic errors?

1. The spreadsheet contains formulas that foot and cross-foot data.

2. The spreadsheet is locked to protect cell formulas from being inadvertently changed.

3. Spreadsheets are included in nightly backup processes.

4. Check-in and check-out software is used to manage version control.

A. 1 and 2 only

B. 1 and 3 only

C. 2 and 4 only

D. 3 and 4 only

**ANSWER: A**

#### QUESTION NO: 8

An auditor in charge was reviewing the workpapers submitted by a newly hired internal auditor. She noted that the new auditor's analytical work did not include any rating or quantification of the risk assessment results, and she returned the workpapers for correction. Which section of the workpapers will the new auditor need to modify?

A. Condition section.

B. Criteria section.

C. Effect section.

D. Cause section.

**ANSWER: C**

**QUESTION NO: 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.

**ANSWER: C**

**QUESTION NO: 10**

During the planning phase of an audit, an internal auditor preliminarily concluded that the controls for a process were adequately designed to manage the associated risk. Under what conditions might this preliminary assessment subsequently prove to be unreliable?

- A. Compensating controls from other processes were not present.
- B. Redundant controls are not in place to enhance well designed controls.
- C. Entity level controls are informal and not consistently enforced.
- D. Process controls were not developed from an existing key control checklist.

**ANSWER: C**

**QUESTION NO: 11**

Which of the following would be a preventive control for helping to manage fraud in an organization?

- A. Reviews of reports to determine which issued payments lack evidence of supervisory review.
- B. A monthly review of new vendors performed by management for reasonableness.
- C. Bank reconciliations performed on a monthly basis by the accounting department.
- D. A code of conduct and whistleblower policy that must be signed by all employees annually.

**ANSWER: B**

**QUESTION NO: 12**

Which of the following processes should be included in a benchmarking activity?

- I. Identify key measures.
  - II. Collect data on performances and practices.
  - III. Identify opportunities for improvement.
- A.** II only
- B.** I and III only
- C.** II and III only
- D.** I, II, and III.
- E.** Identify key measures.  
II. Collect data on performances and practices.  
III. Identify opportunities for improvement.

**ANSWER: D**

**QUESTION NO: 13**

A member of the IT department transfers to the internal audit department. A few months after transferring, the new auditor volunteers to assist in an assurance engagement for the IT department. According to the Standards, how should the chief audit executive respond?

- A.** Decline the offer because the internal auditor subordinated professional judgment, and objectivity is therefore impaired.
- B.** Decline the offer because the internal auditor recently transferred from the IT department.
- C.** Accept the offer because the internal auditor maintains an independent mental attitude and is therefore objective.
- D.** Accept the offer because the internal audit charter grants the internal auditor authority to maintain objectivity.

**ANSWER: B**

**QUESTION NO: 14**

Which of the following organizational practices is likely to be a part of a corporate social responsibility program?

- A.** A mining company practices backfilling and planting trees after mining within an area.
- B.** A construction company ensures that its workers are paid at the regulated minimum wage.
- C.** A foods manufacturer sources cheap raw materials to generate higher profits for distribution to its employees.
- D.** A bank listed on the national stock exchange consistently pays dividends to its shareholders.

**ANSWER: A****QUESTION NO: 15**

Which of the following represents the correct order of the risk management process?

- A. Resource allocation, risk management metrics, risk assessment, post-mortem analysis, effective communication.
- B. Risk management metrics, resource allocation, risk assessment, effective communication, post-mortem analysis.
- C. Risk assessment, resource allocation, risk governance and reporting, post-mortem analysis, feedback.
- D. Resource allocation, risk monitoring, risk assessment, feedback, post-mortem analysis.

**ANSWER: C****QUESTION NO: 16**

Which of the following is an appropriate role for the board in governance?

- A. Preparing written organizational policies that relate to compliance with laws, regulations, ethics, and conflicts of interest.
- B. Ensuring that financial statements are understandable, transparent, and reliable.
- C. Assisting the internal audit activity in performing annual reviews of governance.
- D. Working with the organization's attorneys to develop a strategy regarding current litigation, pending litigation, or regulatory proceedings governance.

**ANSWER: B****QUESTION NO: 17**

The audit committee is concerned that the small size of the internal audit activity (IAA) makes it impractical to achieve full conformance with the Standards. To address this concern, which of the following actions is most appropriate for the CAE to take?

- A. The CAE should agree with the audit committee and implement only those standards appropriate to the size of the IAA.
- B. The CAE should request the audit committee to review the Standards to identify specifically which are creating the greatest concern.
- C. The CAE should seek sufficient funding to increase audit resources to meet the minimum requirements of the Standards.
- D. The CAE should explain that conformance with the Standards is essential and not dependent upon the size of the IAA.

**ANSWER: D**

**QUESTION NO: 18**

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.

**ANSWER: C****QUESTION NO: 19**

Which of the following statements best describes the competency requirement for an auditor regarding fraud risks encountered in an engagement execution?

- A. The auditor should be able to have comparable competencies of a person whose primary responsibility is detecting and investigating fraud.
- B. The auditor must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization.
- C. The auditor is not expected to have any competency requirement regarding fraud since the role of investigating and detecting fraud belongs to other functions in the organization.
- D. The auditor must be able to have an appreciation of the fundamentals of fraud detection and investigation techniques.

**ANSWER: B****QUESTION NO: 20**

An accounts receivable clerk receives cash payments, posts the payments to customer accounts, and prepares the daily cash deposit.

The clerk has been stealing some cash and manipulating the customer payments to hide the theft.

This fraud could be detected with which of the following controls?

- A. Monthly bank reconciliations are performed by the clerk on a timely basis.
- B. Total cash deposits for the month are reconciled to the cash receipts journal.
- C. Names, amounts, and dates on remittance advices are reconciled with the names, amounts, and dates recorded in the cash receipts journal.
- D. Total cash deposits are compared with the bank reconciliation.

ANSWER: C