

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

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.

Correct Answer: B

QUESTION 2

Which of the following is not an objective of internal control?

- A. Compliance.
- B. Accuracy.
- C. Efficiency.
- D. Validation.

Correct Answer: D

QUESTION 3

In the annual audit of the financial statements of a company with high inherent risk and a very strong control system, the external auditor may be able to allow detection risk to rise because.

- A. Audit risk has been reduced.
- B. Control risk has been assessed at a lower level.
- C. The company's operations are very susceptible to misstatements.
- D. Whenever inherent risk is high, control risk is disregarded.

Correct Answer: B

QUESTION 4

Which of the following is an activity that an internal auditor must not perform?

- A. Establish and provide continuing assurance on an anti-money laundering program for new hires.
- B. Survey employees for their understanding of anti-money laundering practices.
- C. Provide assurance for the effectiveness of anti-money laundering training.
- D. Assess the risk of being fined for ineffective anti-money laundering practices.

Correct Answer: A

QUESTION 5

An internal audit charter should do which of the following?

- A. Outline the schedule of future audits.
- B. Define the scope of internal audit activities.
- C. Establish the size of the internal audit activity.
- D. Communicate the internal audit activity's goals.

Correct Answer: B

QUESTION 6

Which of the following audit activities is within the scope of assurance activities as stated in the International Professional Practices Framework?

- A. Review a make-or-buy decision and report a recommendation to management for approval.
- B. Participate in negotiations for a corporate acquisition.
- C. Assess financing alternatives for a new generator.
- D. Perform an evaluation of management's planning process.

Correct Answer: D

QUESTION 7

An organization's chief audit executive (CAE) has been asked to monitor and report on any violations of the organization's code of conduct. The CAE should:

- A. Review and adjudicate all complaints.
- B. Lead the committee responsible for the oversight of the code.
- C. Develop specific procedures to ensure that the code is clearly communicated to all employees.
- D. Participate in an advisory capacity on the committee that adjudicates any violations.

Correct Answer: D

QUESTION 8

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 9

Suspecting fraud, the chief financial officer (CFO) asked the internal audit activity to investigate a significant increase in travel related expenditures. Work was performed by a qualified internal auditor. Following the completion of the engagement, the chief audit executive (CAE) reported to the CFO that no violations were found and no fraud had occurred.

According to the Standards, which of the following principles did the CAE violate?

- A. Due professional care.
- B. Individual objectivity.
- C. Proficiency.
- D. Organizational independence.

Correct Answer: A

QUESTION 10

Which of the following enhances the independence of the internal audit activity?

- A. The chief audit executive (CAE) approves the annual internal audit plan.
- B. The CAE administratively reports to the board.
- C. The audit committee approves the CAE's annual salary increase.
- D. The chief executive officer approves the internal audit charter.

Correct Answer: C

QUESTION 11

Reviewing prior audit reports and supporting workpapers before an engagement starts enables an internal auditor to do which of the following?

1.

To understand better the activity and processes that will be audited.

2.

To identify the audit procedures that will be used during the engagement.

3.

To ensure that matters of greatest vulnerability will be addressed.

4.

To use the information obtained as evidence in the current engagement.

A. 4 only

B. 1 and 3 only

C. 1 and 4 only

D. 2, 3, and 4 only

Correct Answer: B

QUESTION 12

In developing an appropriate work program for an audit engagement, the most important factor for an audit supervisor to consider is the:

A. Availability of records and data.

B. Potential impact of risks.

C. Capabilities of audit personnel.

D. Time required to complete the engagement.

Correct Answer: B

QUESTION 13

Which of the following is a common error made in designing multiple-choice questions in a survey questionnaire?

A. Unipolar rather than bipolar labels are used for the response categories.

- B. The alternative response categories for the questions are not mutually exclusive.
- C. Likert scaling is used instead of semantic differential scaling.
- D. The question itself uses terms that are very familiar to the respondent.

Correct Answer: B

QUESTION 14

Once the cause of a problem has been identified, the next step is to:

- A. Select a solution.
- B. Generate alternative solutions.
- C. Identify the problem.
- D. Consider the reaction of competitors to various courses of action.

Correct Answer: B

QUESTION 15

A government agency's policy states that board members' travel and hospitality expenses must be audited annually. Which of following people or groups is most appropriate to perform this audit?

- A. The government's independent auditor.
- B. The external auditors from an accounting firm.
- C. The internal audit activity.
- D. The agency's chief compliance officer.

Correct Answer: A

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