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**IIA**

**IIA-ACCA**

*ACCA CIA Challenge*



### Question: 125

According to IIA guidance, which of the following practices by the chief audit executive (CAE) best enhances the organizational independence of the internal audit activity?

- A . CAE reviews and approves the annual audit plan.
- B . CAE meets privately with The CEO at least annually.
- C . CAE meets privately with The board at least annually.
- D . CAE reports to the board regarding audit staff performance evaluation and compensation.

**Answer: D**

### Question: 126

An internal audit activity is using the auditing-by-element approach to audit the organization's controls around corporate social responsibility.

Which of the following would be an element for the internal audit activity to consider?

- A . Working conditions.
- B . Employees' families.
- C . Marketplace competition.
- D . Shareholders and investors.

**Answer: B**

### Question: 127

An internal auditor in a small broadcasting organization was assigned to review the revenue collection process. The auditor discovered that some checks from three customers were never recorded in the organization's financial records.

Which of the following documents would be the least useful for the auditor to verify the finding?

- A . Bank statements.
- B . Customer confirmation letters.
- C . Copies of sales invoices.
- D . Copies of deposit slips.

**Answer: D**

### Question: 128

An organization is beginning to implement an enterprise risk management program. One of the first steps is to develop a common risk language.

Which of the following statements about a common risk language is true?

- A . Management will be able to reduce inherent risk because they will have a better understanding of risk.

- B . Internal auditors will be able to reduce their sample sizes because controls will be more consistent.
- C . Stakeholders will have more assurance that the risks are assessed consistently.
- D . Decision makers will understand that the likelihood of missing or ineffective controls will be reduced.

**Answer: C**

**Question: 129**

Which of the following documents is most appropriate in promoting the objectivity of the internal audit activity?

- A . Usage of IT system policy.
- B . Risk management framework.
- C . Acceptance of gifts policy.
- D . Personal responsibility policy.

**Answer: C**

**Question: 130**

A headquarters-based internal auditor has been sent to a major overseas subsidiary to conduct various engagements. Initially, the internal auditor spends time to become familiar with local customs and organization's practices while embarking on the first engagement.

Which of the following competencies does the internal auditor exercise?

- A . Communication.
- B . Persuasion and collaboration.
- C . Business acumen.
- D . Governance, risk, and control.

**Answer: A**

**Question: 131**

According to IIA guidance, which of the following must the internal auditor consider to meet the requirements for due professional care?

- A . The training courses necessary to enhance the internal auditor's knowledge, skills, and other competencies.
- B . The appropriateness of assurance procedures necessary to ensure all significant risks will be identified.
- C . The use of innovative technology and data analysis techniques.
- D . The extent of work needed to achieve the engagement's objectives.

**Answer: D**

**Question: 132**

Which of the following types of fraud includes embezzlement?

- A . Fraudulent statements.
- B . Bribery.

- C . Misappropriation of assets.
- D . Corruption.

**Answer:** C

**Question:** 133

Evidence discovered during the course of an engagement suggests that multiple incidents of fraud have occurred. There do not appear to be sufficient controls in place to prevent reoccurrence.

Which of the following is the internal auditor's most appropriate next step?

- A . Immediately notify management of the area under review and the other internal auditors involved in the engagement.
- B . Discuss the situation with the engagement supervisor to determine whether fraud investigation experts are required to investigate the matter properly.
- C . Fully document in the workpapers the evidence that has been discovered and recommend appropriate controls to address the fraud.
- D . Provide the evidence that was discovered to local law enforcement for possible prosecution of the suspected fraud.

**Answer:** A

**Question:** 134

An internal auditor is reviewing the accounts receivable when she discovers account balances more than three years old. The auditor was previously supervising the area during this time, and she subsequently advises the chief audit executive (CAE) of a potential conflict.

Which of the following is the most appropriate course of action for the CAE to take?

- A . Replace the auditor with another audit staff member.
- B . Continue with the present auditor, as more than one year has passed.
- C . Withdraw the audit team and outsource the financial audit of the division.
- D . Work with the division's management to resolve the situation.

**Answer:** A

**Question:** 135

A large sales organization maintains a system of internal control according to the COSO model and has updated its code of conduct.

This change relates to which component of the COSO framework?

- A . Control activities.
- B . Information and communication.
- C . Commitment.
- D . Control environment.

**Answer: D**

**Question: 136**

Which of the following is an example of a management control technique?

- A . A budget.
- B . A risk assessment.
- C . The board of directors.
- D . The control environment.

**Answer: A**

**Question: 137**

While preparing for an audit of senior management expenses, the chief audit executive (CAE) learns that management is unable to locate a number of original expense claims to support the related disbursements. She decides to defer the engagement until they can be located.

Which of the following principles likely guided the CAE's decision?

- A . Objectivity.
- B . Proficiency.
- C . Independence.
- D . Due professional care.

**Answer: D**

**Question: 138**

Which of the following responsibilities would fall under the role of the chief audit executive, rather than internal audit staff or the audit manager?

- A . Manage and support a quality assurance and improvement program.
- B . Maintain industry-specific knowledge appropriate to the audit engagements
- C . Set clear performance standards for internal auditors and the internal audit activity.
- D . Apply problem-solving techniques for routine situations.

**Answer: C**

**Question: 139**

An internal auditor uses a predefined macro provided in a popular spreadsheet application to verify the present value of the organization's investments.

Which of the following is the most appropriate course of action regarding the auditor's use of this functionality?

- A . The auditor should accept the calculations generated by the function, as any further work or documentation would be inefficient.
- B . The auditor should perform a manual recalculation of several results to validate and document the results.
- C . The auditor should review the programming of the macro before its use to ensure that it is appropriate for the

required calculations.

D . The auditor should tabulate the results in the spreadsheet to ensure the macro has generated the correct results for all calculations.

**Answer: B**

**Question: 140**

According to IIA guidance, the results of a formal quality assessment should be reported to which of the following groups?

- A . The audit committee and senior management.
- B . The audit committee and the external auditors.
- C . Senior management and management of the audited area.
- D . Senior management and the external auditors.

**Answer: A**

**Question: 141**

An internal auditor completed an audit of a bank's loan department and found all significant risks to be managed adequately through effective internal controls.

Which of the following would be an appropriate conclusion to report to management?

- A . The residual risk is lower than or equal to the risk appetite.
- B . The residual risk is higher than or equal to the risk appetite.
- C . The inherent risk is lower than or equal to the risk tolerance.
- D . The inherent risk is higher than or equal to the risk tolerance.

**Answer: A**

**Question: 142**

Which of the following would not be considered part of preliminary survey of an engagement area?

- A . Interviews with individuals affected by the entity.
- B . Functional walk through test.
- C . Analytical reviews.
- D . Sampling scope.

**Answer: D**

**Question: 143**

**CORRECT TEXT**

According to IIA guidance, which of the following scenarios demonstrates an internal auditor exercising due professional care?

When auditing investments, the auditor identified instruments with which he was unfamiliar. He decided not to select that type of investment in his sample, as he did not have the knowledge needed to

A . perform a proper assessment.

B . An auditor was reviewing inventory counts conducted by the warehouse staff. One truck containing an immaterial amount of inventory was off-site and wasn't verified by the auditor.

C . An auditor visited a plant that produces a significant portion of the organization's inventory. The day he arrived, the plant manager was out sick, so the auditor issued the report without interviewing the manager.

D . An auditor in charge needed to have testing completed by the end of the month, but was behind schedule. He identified a junior auditor to conduct the work for him on a complex area of the organization.

**Answer:** A

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