

IIA-CIA-PART2^{Q&As}

Certified Internal Auditor - Part 2, Conducting the Internal Audit Engagement

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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.

Correct Answer: C

QUESTION 2

After completing a fraud investigation but before publishing a formal written report, the chief audit executive should submit a draft of the final report to the organization's:

- A. Legal counsel.
- B. External auditor.
- C. Audit committee chairperson.
- D. Chief executive officer.

Correct Answer: A

QUESTION 3

The chief audit executive established an internal audit activity (IAA) performance standard requiring all audit reports to be issued within 48 hours of the exit meeting with the client. Which of the following

describes an exit meeting strategy that would best help the IAA meet this performance standard?

- A. The objective of the exit meeting is to reach agreement on audit observations.
- B. The objective of the exit meeting is to solicit action plans for audit observations.
- C. The objective of the exit meeting is to confirm final details of fieldwork.
- D. The objective of the exit meeting is to confirm understanding of audit results

Correct Answer: D

QUESTION 4

In order to effectively elicit sensitive information from an employee during an audit engagement, an auditor should:

- A. Tell the employee a piece of information obtained from a coworker in a previous interview.
- B. Put sensitive questions at the beginning of a questionnaire to ensure that they are answered.
- C. Explain that the auditor's reputation for integrity, which is vital to the auditor's business success, would be seriously damaged if confidentiality were breached.
- D. Point out that management has given the auditor full authority to conduct this interview.

Correct Answer: C

QUESTION 5

During an audit of an ethics program, which of the following procedures are most appropriate to evaluate the effectiveness of the program?

1.
Testing whether corrective actions taken on involved parties breaching the ethics program are adequate.
 2.
Testing whether all employees are mandated through policy to comply with the ethics program.
 3.
Testing whether all employees are required to confirm in writing their compliance with the ethics program.
 4.
Testing through surveys employee's level of understanding and commitment to the ethics program.
- A. 1 and 2 only
 - B. 1 and 4 only
 - C. 2 and 3 only
 - D. 3 and 4 only

Correct Answer: B

QUESTION 6

An organization's internal auditors are reviewing production costs at a gas-powered electrical generating plant. They identify a serious problem with the accuracy of carbon dioxide emissions reported to the environmental regulatory agency, due to computer errors. The auditors should immediately report the concern to:

- A. The regulatory agency.
- B. Plant management.

- C. A plant health and safety officer.
- D. The risk management function.

Correct Answer: B

QUESTION 7

According to IIA guidance, which of the following are potential benefits of using an assurance map?

- A. Indication of any gaps in assurance coverage, and improved relevance of assurance recommendations.
- B. Identification of duplicate or overlapping assurance activities, and improved relevance of assurance recommendations.
- C. Indication of gaps in assurance coverage, and enhanced effectiveness of assurance providers.
- D. Enhanced effectiveness of assurance providers, and improved relevance of assurance recommendations.

Correct Answer: C

QUESTION 8

The chief risk officer (CRO) of a large manufacturing organization decided to facilitate a workshop for process managers and staff to identify opportunities for improving productivity and reducing defects. Which of the following is the most likely reason the CRO chose the workshop approach?

- A. It minimizes the amount of time spent and cost incurred to gather the necessary information.
- B. Responses can be confidential, thus encouraging participants to be candid expressing their concerns.
- C. Workshops do not require extensive facilitation skills and are therefore ideal for nonauditors.
- D. Workshop participants have an opportunity to learn while contributing ideas toward the objectives.

Correct Answer: D

QUESTION 9

To which of the following aspects should the chief audit executive give the most consideration while communicating an identified unacceptable risk to management?

- A. The organization's attitude to hierarchy.
- B. The organization's whistleblowing strategy.
- C. The organization's ongoing risk monitoring process.
- D. The organization's risk management policy.

Correct Answer: D

QUESTION 10

As part of the preliminary survey, an internal auditor sent an internal control questionnaire to the accounts payable function. Based on the questionnaire responses, the auditor determines that there is no established procedure for adding and approving new vendors. What would the auditor do next?

- A. Determine that this situation is acceptable and focus on more significant issues.
- B. Document the issue in the draft audit report.
- C. Document the observation for further follow up when testing the operating effectiveness of controls.
- D. Interview the personnel associated with this observation.

Correct Answer: D

QUESTION 11

A chief audit executive (CAE) determined that operational management did not address an open internal control issue, which creates a risk of material misstatement of the organization's financial statements. Which of the following is the best course of action for the CAE to take?

- A. Immediately report the issue to the board.
- B. Take the necessary corrective action to address the issue.
- C. Escalate the issue to senior management.
- D. Inform the external auditors about the issue.

Correct Answer: A

QUESTION 12

A manufacturing organization is considering a merger with a similar firm, and requests that the chief audit executive (CAE) perform a due diligence audit. During the preliminary survey, the CAE notes that inventory management is a high risk area. In consultation with the external auditors and legal advisors, the CAE learns that they share those concerns. Which of the following is the CAE's best course of action?

- A. Perform an independent audit of the merging firm's inventory management practices to verify the concerns and to provide relevant and reliable results to management for their consideration and action.
- B. Advise management that internal audit, external audit, and legal advisors all have concerns about inventory management and, given the high materiality of inventory, management should not proceed with the merger.
- C. Coordinate a review of inventory management with external auditors and legal advisors and ensure each group focuses on their area of expertise to ascertain the extent of the problems, if any.
- D. Coordinate with the merging firm's internal audit department to better understand the inventory management function and whether the concerns are well-founded.

Correct Answer: C

QUESTION 13

Which of the following is not an outcome of control self-assessment?

- A. Informal, soft controls are omitted, and greater focus is placed on hard controls.
- B. The entire objectives-risks-controls infrastructure of an organization is subject to greater monitoring and continuous improvement.
- C. Internal auditors become involved in and knowledgeable about the self-assessment process.
- D. Nonaudit employees become experienced in assessing controls and associating control processes with managing risks.

Correct Answer: A

QUESTION 14

Which of the following is a weakness that is inherent in the use of the test data method to test internal controls in a computer-based accounting system?

- A. The auditor must test many transactions with the same condition in order to achieve assurance that the condition is being detected.
- B. Conditions that were not specifically considered by the auditor may go untested.
- C. The approach requires the creation of "dummy companies," possibly destroying or altering actual company data in the process.
- D. Inclusion of atypical data in the test data may cause errors to be noted on the exception report.

Correct Answer: B

QUESTION 15

An organization's inventory is stored in multiple warehouses. During an inventory audit, which of the following activities would most benefit from the use of computerized audit tools?

- A. Verifying the existence of inventory items in each warehouse.
- B. Assigning the tolerable deviation rate to determine the sample size.
- C. Valuating the obsolete inventory from all the warehouse locations.
- D. Confirming that the purchased items are recorded in the correct period.

Correct Answer: A

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