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Vendor:IIA

Exam Code:IIA-CIA-PART2

Exam Name:Certified Internal Auditor - Part 2,
Conducting the Internal Audit Engagement

Version:Demo

QUESTION 1

A recent survey indicated that residents of a small town take the train to a nearby city eight times per month, on average. The same survey showed that the number of train trips that a resident takes per month

(y) is determined by the number of days per month that the resident works in the nearby city (x), according to the equation: $y = 2 + 2x$. A person who never works in the nearby city is expected to take the train:

- A.
Zero times per month.
- B.
Two times per month.
- C.
Four times per month.
- D.
Eight times per month.

Correct Answer: B

QUESTION 2

Which of the following should management action plans include at a minimum?

- A. An implementer for the action plan.
- B. An owner of the action plan.
- C. The internal auditor's next review date of the action plan.
- D. Detailed procedures for the action plan.

Correct Answer: C

QUESTION 3

During a consulting engagement, an internal auditor wants to determine whether all principal stakeholders are involved in a project. Which tool should the auditor use?

- A. RACI (responsible, accountable, consult, and inform) chart.
- B. Flowchart.

- C. SWOT (strengths, weaknesses, opportunities, and threats) analysis.
- D. Workflow analysis.

Correct Answer: A

QUESTION 4

In which of the following cases is it appropriate for an audit report to not contain management's response either within the report or as an attachment?

- A. Management's response to an audit report is generally not a requirement.
- B. Internal controls were found to be properly designed and operating effectively although operations are deemed inefficient.
- C. There was insufficient time to obtain management's response during the draft reporting process.
- D. An internal audit report contains no observations.

Correct Answer: D

QUESTION 5

While reviewing the draft report of an audit engagement, the chief audit executive (CAE) is not in agreement with management's acceptance of the potential risk exposure resulting from an observed key control weakness. Which of the following actions by the CAE would be appropriate for addressing this concern?

- 1.
Meet with the auditor-in-charge.
- 2.
Discuss with senior management.
- 3.
Monitor the result of the accepted risk.
- 4.
Report the matter to the board.

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

Correct Answer: B

QUESTION 6

An internal auditor for a financial institution has just completed an audit of loan processing. Of the 81 loans approved by the loan committee, the auditor found seven loans which exceeded the approved amount. Which of the following actions would be inappropriate on the part of the auditor?

- A. Examine the seven loans to determine if there is a pattern. Summarize amounts and include in the engagement final communication.
- B. Report the amounts to the loan committee and leave it up to them to correct. Take no further follow-up action at this time and do not include the items in the engagement final communication.
- C. Follow up with the appropriate vice president and include the vice president's acknowledgment of the situation in the engagement final communication.
- D. Determine the amount of the differences and make an assessment as to whether the dollar differences are material. If the amounts are not material, not in violation of government regulations, and can be rationally explained, omit the observation from the engagement final communication.

Correct Answer: B

QUESTION 7

The following are potential sources of evidence regarding the effectiveness of a division's total quality management program. The least persuasive evidence would be a comparison of:

- A. Employee morale before and after program implementation.
- B. Scrap and rework costs before and after program implementation.
- C. Customer returns before and after program implementation.
- D. Manufacturing and distribution costs per unit before and after program implementation.

Correct Answer: A

QUESTION 8

Risk assessments can vary in format, but generally include:

1.
A description of identified risks.
2.
Tests of audit controls.
3.
A system of rating risks.

4.

Sample size identification.

A. 1 and 2 only

B. 1 and 3 only

C. 1, 3, and 4 only

D. 2, 3, and 4 only

Correct Answer: B

QUESTION 9

The chief audit executive (CAE) decided that based on management's oral response, the action taken on an audit observation for a minor improvement in the client's process is sufficient and no further follow-up is

necessary. Which of the following would be the best statement regarding the action of the CAE?

A. The CAE action is not acceptable, as a follow-up audit is needed to ensure that action is really taken by management.

B. The CAE action is not acceptable, as follow-up on the issue is critical until a written response is obtained from management.

C. The CAE action is acceptable as long as the follow-up is sufficient when weighed against the relative importance of the recommendation.

D. The CAE action is acceptable as long as the issue has been escalated to the board to get their position on the issue.

Correct Answer: C

QUESTION 10

Which of the following controls in a computerized consumer loan system of a major bank would be the least effective in detecting a fraudulent loan?

A. All log-in accounts become inaccessible after three incorrect password attempts.

B. Loan approvals over a pre-determined limit must have management approval.

C. Customer information is matched to payment data prior to funds disbursement.

D. System controls prevent supervisors from delegating their approval authority during vacation periods.

Correct Answer: A

QUESTION 11

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 12

All of the following tools are employed to control large-scale projects except:

- A. Program evaluation and review technique (PERT).
- B. Critical path method.
- C. Statistical process control.
- D. Gantt charts.

Correct Answer: C