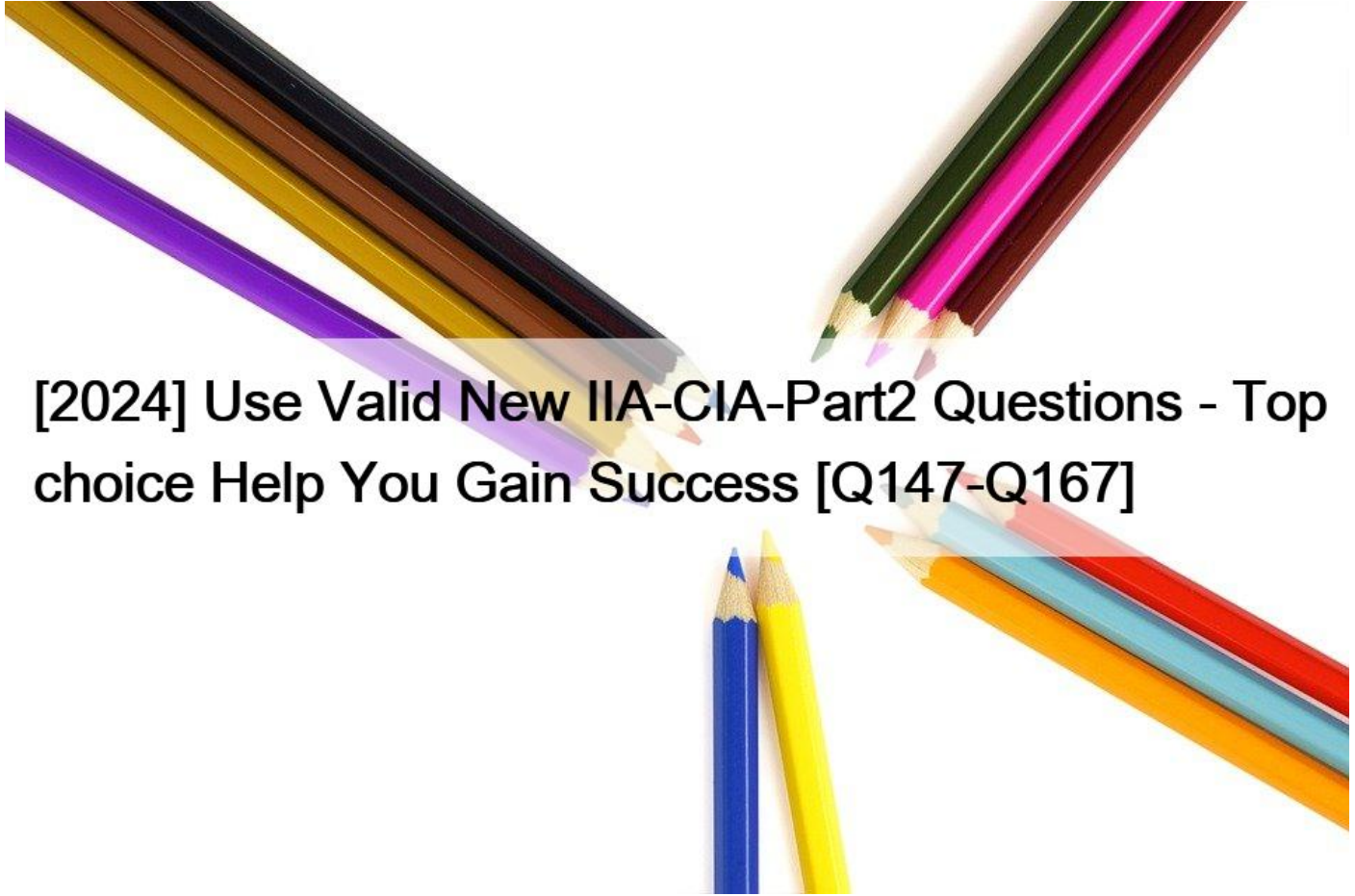


[2024 Use Valid New IIA-CIA-Part2 Questions - Top choice Help You Gain Success [Q147-Q167]



[2024] Use Valid New IIA-CIA-Part2 Questions - Top choice Help You Gain Success
IIA-CIA-Part2 Exam Practice Materials Collection

IIA-CIA-Part2 certification exam is a critical step for individuals seeking to advance their career in the field of internal auditing. IIA-CIA-Part2 exam covers various topics that are essential for providing effective and efficient audit services to organizations. Passing the exam and earning the certification demonstrates an individual's competence in internal auditing practices and is highly regarded by employers.

IIA-CIA-Part2 Exam is a comprehensive test of a candidate's knowledge and skills in internal auditing. Passing the exam is a crucial step towards obtaining the CIA certification and advancing in the field. With proper preparation and study materials, candidates can successfully pass the exam and demonstrate their commitment and expertise in internal auditing.

NO.147 During the audit of a large decentralized supply chain function, the chief audit executive (CAE) receives serious allegations of fraud concerning the vice president responsible for this function. The CAE engages a third party to provide forensic audit services

and lead the investigation portion of the engagement. As part of this team, which of the following would be an appropriate role for the investigator?

Authenticate the original approval signatures on contracts.

Interview personnel to understand the supply chain processes.

Provide certified copies of relevant original documents for the audit file.

Identify variances in pixels on original electronic documents.

- * 1 and 2 only.
- * 1 and 4 only.
- * 2 and 3 only.
- * 3 and 4 only.

NO.148 An internal auditor has been asked to participate in an advisory capacity to assist a committee in redesigning the organization's current financial reports to provide better information to management and the board. Which of the following actions on the part of the auditor would provide the greatest value to this project?

- * The internal auditor has a set of generic report templates from a former project and presents them to the group because they worked so well for the previous employer.
- * The internal auditor interviews each stakeholder and documents the requirements and preferences of each and creates a report template that meets as many of the requirements and preferences as possible.
- * The internal auditor gathers the stakeholder group and holds a brainstorming session where they generate report requirements and preferences and then rank them in order of importance.
- * The internal auditor undertakes a project to gather report templates and formats from other organizations in the same line of business and presents them all to the group for review.

Section: Volume D

NO.149 During an audit of a retail organization, an internal auditor found a scheme in which the warehouse director and the purchasing agent diverted approximately \$500,000 of goods to their own warehouse, then sold the goods to third parties. The fraud was not found earlier since the warehouse director updated the perpetual inventory records and then forwarded receiving reports to the accounts payable department for processing. Which of the following procedures would have most likely led to the discovery of the missing materials and the fraud?

- * Select a random sample of receiving reports and trace to the recording in the perpetual inventory records. Note differences and investigate by type of product.
- * Select a random sample of purchase orders and trace to receiving reports and to the records in the accounts payable department.
- * Take an annual physical inventory, reconciling amounts with the perpetual inventory records. Note the pattern of differences and investigate.
- * Select a random sample of sales invoices and trace to the perpetual inventory records to see if inventory was on hand. Investigate any differences.

NO.150 An internal audit manager is planning a contract compliance audit Which of the following should be done prior to developing the audit work program?

- * Select a sample of invoices for substantive testing
- * Review the contract for evidence of authorization
- * Document underlying reasons for noncompliance
- * Assess the inherent risk of paying duplicate invoices

Before developing the audit work program, it is essential to review the contract for evidence of authorization.

This step ensures that the contract is valid and approved by the appropriate parties, forming a critical basis for the compliance audit.

By confirming authorization, the auditor can ascertain that the contract is legitimate and enforceable, and understand its key terms and conditions, which is necessary for planning and executing the audit effectively. Other steps, such as selecting a sample or assessing risks, are important but should follow after understanding the contract's validity and scope. References:

* Institute of Internal Auditors (IIA), International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2201 – Planning Considerations.

NO.151 An auditor decides to perform an inventory turnover analysis for both raw materials inventory and finished goods inventory. The analysis would be potentially useful in:

I. Identifying products for which management has not been attuned to changes in market demand.

II. Identifying potential problems in purchasing activities.

III.

Identifying obsolete inventory.

- * III only
- * I and II only
- * II and III only
- * I, II, and III

NO.152 Which of the following would present the most critical external risk to an organization?

- * The organization experiences a merger, and the management team is reorganized and redistributed globally
- * The organization launches a product into new global markets
- * After minimal testing, the organization implements a new system to replace a legacy system
- * Regulators announce broad legislative reforms applicable to the industry within which the organization operates

NO.153 An internal audit manager assigns an audit team to test purchase transactions by selecting a sample from transactions processed by each of the three procurement officers.

Which of the following techniques will help the audit team achieve this sampling objective?

- * Systematic sampling.
- * Stratified sampling.
- * Stop-or-go sampling
- * Discovery sampling.

Stratified sampling is a technique that involves dividing a population into subgroups (strata) that share similar characteristics and then taking a sample from each subgroup. In the context of testing purchase transactions by different procurement officers, the transactions can be stratified based on the officers, ensuring that the audit team selects a sample that represents each officer's transactions. This method helps in achieving a more accurate and reliable assessment of the procurement process across all officers. References:

* The Institute of Internal Auditors (IIA), Practice Guide on Sampling

* “Auditing and Assurance Services: An Integrated Approach” by Alvin A. Arens, Randal J. Elder, Mark

S. Beasley

NO.154 While planning for an accounts payable audit an internal auditor performs an entity level controls analysis. Which of the following statements is true regarding the approach used by the auditor?

- * It enables the auditor to identify the inherent risks to the effective operation of accounts payable process controls.
- * It enables the auditor to understand the framework of the activities and associated accounts payable subprocesses
- * it enables the auditor to understand the accounts payable process and its flow, including key steps and systems.
- * It enables the auditor to categorize the population of transactions within the accounts payable process

Performing an entity-level controls analysis helps the auditor understand the overarching framework of activities and subprocesses within the accounts payable function. This approach provides a high-level view of the control environment and how different processes interrelate and contribute to the overall control objectives. By understanding the framework, the auditor can identify key controls, assess their design and implementation, and determine areas of potential risk. This foundational understanding is crucial before delving into more detailed, transaction-level testing.

Reference:

Institute of Internal Auditors (IIA), International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2130 – Control.

NO.155 Management testimony of improper segregation of duties in the cash receipt process can be considered which of the following?

- * Analytical
- * Reliable
- * Relevant
- * Sufficient

Management testimony of improper segregation of duties in the cash receipt process can be considered relevant. Relevant evidence directly relates to the matter being examined, which in this case is the proper segregation of duties in the cash receipt process. Testimony from management can provide insights and context that are pertinent to understanding and assessing this specific control issue.

Reference:

IIA Standards: 2310 – Identifying Information

IIA Practice Guide: Evaluating Relevance and Reliability of Evidence

NO.156 The internal auditors available to perform the engagement do not have sufficient skills related to the area under review. Which of the following is an appropriate action for the chief audit executive to take?

- * Continue the engagement with the available staff, providing more hands-on supervision than usual
- * Limit the objectives and scope of the engagement to align them with the skills available among the current staff.
- * Cosource the performance of the engagement using personnel in the area that will be reviewed to supplement the knowledge of the staff and complete the engagement
- * Supplement the internal auditors assigned to the engagement by bringing onto the engagement team a consultant who is independent of the area under review and has the missing expertise

NO.157 Which of the following approaches would best help an internal auditor determine whether a retailer database of 100,000 customers has any duplicate accounts?

- * Stratifying the customer information
- * Extracting the customer information
- * Filtering the customer information
- * Sorting the customer information

NO.158 An internal auditor using the five-attribute approach to document deficiencies in a warehouse shipping process. Which of the following attributes will be included in the workpapers?

- * Risk, impact likelihood existing control, recommendation
- * Condition, cause, effect, recommendation
- * Condition, cause effect test result
- * Risk, impact test result recommendation

The five-attribute approach to documenting deficiencies typically includes the following attributes: condition (the current state or issue identified), cause (the reason for the condition), effect (the impact or potential impact of the condition), and recommendation (suggested actions to address the deficiency). These attributes provide a comprehensive framework for understanding the deficiency, its implications, and the steps needed to rectify it, ensuring clear and actionable audit findings. References:

- * The Institute of Internal Auditors (IIA) – Practice Guide: Documenting Information

NO.159 In which of the following situations would it be most appropriate to employ the services of a forensic specialist?

- * Detection of unauthorized changes to source documents.
- * Review for misapplication of general computer controls over accounts receivable.
- * Investigation of ghost employees in a large business.
- * Verification of fixed assets in a manufacturing company.

Section: Volume A

NO.160 An organization has a health and safety division that conducts audits to meet regulatory requirements. The chief health and safety officer reports directly to the CEO. Which of the following describes an appropriate role for the chief audit executive (CAE) with regard to the organization’s health and safety program?

- * The CAE has no role to play, because the chief health and safety officer reports to a senior executive.
- * The CAE should coordinate with, and review the work of, the chief health and safety officer to gain an understanding of whether risks related to health and safety are managed properly.
- * The CAE should give periodic reports directly to the regulator regarding health and safety issues, as it is the appropriate regulatory oversight body.
- * The CAE should hire an independent external specialist to conduct an annual assessment and provide assurance over the effectiveness of the health and safety program and the reliability of its reports.

NO.161 Which of the following factors would increase the confidence level in a variables sampling plan?

- I. A larger sample size.
 - II. A stratified sample.
 - III. A larger standard deviation.
- * I and II only
 - * I and III only
 - * II and III only
 - * I, II, and III

NO.162 The internal audit activity needs to review the information security function but does not have the IT expertise needed for the engagement. Which of the following actions should the chief audit executive take to ensure the internal audit activity conforms with the Standards?

- * Assign the engagement to a staff auditor and closely review his work and report.
- * Assign the engagement to a senior auditor, who carefully researches and studies the company’s IT infrastructure.
- * Contract an external service provider auditor with the experience necessary to perform the audit.
- * Perform the audit herself and work closely with the information security function to obtain expertise in the area.

When the internal audit activity lacks the necessary IT expertise to review the information security function, the chief audit executive (CAE) should contract an external service provider with the required experience. This ensures that the audit is conducted

effectively and in accordance with the Standards, which require internal auditors to have or acquire the necessary skills to perform their work.

IIA Reference:

IIA Standard 1210: Proficiency requires internal auditors to possess the knowledge, skills, and other competencies needed to perform their responsibilities. When the necessary expertise is not available within the internal audit activity, the CAE must obtain competent advice and assistance by either contracting external experts or outsourcing the audit.

The Practice Guide on Engaging External Service Providers suggests that when specialized skills are required, engaging an external service provider is a practical solution to ensure the audit's quality and effectiveness.

NO.163 An internal auditor notices that a division has recorded uncharacteristically high sales and gross margins for the past three months and now suspects the division is reporting fictitious sales. Which course of action should the auditor follow to determine whether fraud has occurred?

- * Trace a sample of shipping documents to related sales invoices to verify proper billing.
- * Send accounts receivable balance confirmations to customers.
- * Compare the division's sales and gross margins to those of the prior three-month period.
- * Estimate the sales and cost of goods sold for the three-month period by using regression analysis.

NO.164 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:

- * Legal counsel.
- * External auditor.
- * Audit committee chairperson.
- * Chief executive officer.

NO.165 Which of the following statements is true pertaining to interviewing a fraud suspect?

1. Information gathered can be subjective as well as objective to be useful.
 2. The primary objective is to obtain a voluntary written confession.
 3. The interviewer is likely to begin the interview with open-ended questions.
 4. Video recordings always should be used to provide the highest quality evidence.
- * 1 only
 - * 4 only
 - * 1 and 3
 - * 2 and 4

When interviewing a fraud suspect, it is important to gather both subjective and objective information (Option

1). Subjective information can include opinions or perspectives, which may provide insights into motivations or behaviors, while objective information consists of factual data. The interviewer typically begins with open-ended questions (Option 3) to allow the suspect to provide information freely and without leading them to specific answers. The primary objective is to gather information rather than to obtain a written confession (Option 2), and video recordings, while beneficial in certain cases, are not always used and thus not a standard requirement (Option 4). References:

* The IIA's Practice Guide on Conducting Internal Audits in Conformance with the International Standards for the Professional Practice of Internal Auditing (Standards).

* The IIA's Practice Guide on Fraud Auditing and Investigation.

NO.166 While investigating a compromised Web server, an auditor found that the Web server logs had been deleted. The auditor should recommend that the Web server logs be:

- * Generated and maintained on a separate secure server.
- * Accessible by administrative users only
- * Encrypted to ensure that the logs cannot be deleted.
- * Restored automatically to the Web server from backup files.

NO.167 In forming a team to investigate an organization's potential adoption of an activity-based costing system, the best reason to include an internal auditor on the team would be the auditor's knowledge of:

- * Activities and cost drivers.
- * Information processing procedures.
- * Current product cost structures.
- * Internal control alternatives.

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