

# Version: 4.0

## Question: 1

An internal audit team is performing an audit of workplace accident claims. Which of the following actions by the audit team best demonstrates due professional care?

- A. Having an occupational health officer on the engagement team.
- B. Determining that the claims have been classified properly.
- C. Placing reliance on medical reports from the injured worker's doctor.
- D. Reviewing claims to ensure all accidents actually occurred in the workplace.

**Answer: A**

## Question: 2

A credit card company detects potential errors in credit card numbers by checking whether all entered numbers contain the correct amount of digits. This is an example of which of the following IT controls?

- A. Logic test.
- B. Check digits.
- C. Data integrity tests.
- D. Balancing control activities.

**Answer: A**

## Question: 3

Which two of the following are preventive controls in a check disbursement process?

1. Daily reconciliation of the bank account used for check disbursements and prompt follow-up of un-reconciled items.
2. Segregation of the following duties: establishing new vendors, approving checks, and reconciling the bank account.
3. An activity report detailing who accesses the check disbursement system and the nature of any action taken in the system.
4. Evidence of strong access controls ensuring that authorized individuals have access only to the functions related to their responsibilities.

- A. 1 and 3.
- B. 1 and 4.

- C. 2 and 3.
- D. 2 and 4.

**Answer: D**

**Question: 4**

A large trucking organization wants to reduce traffic accidents by improving its system of internal controls.

Which of the following controls is correctly classified?

1. Review of speeding violations to identify repetitive locations and drivers is an example of a preventive control.
2. Defensive driver training is an example of a directive control.
3. The installation of tracking devices in delivery vehicles is an example of a corrective control.
4. Providing a vehicle driver handbook is an example of a detective control.

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

**Answer: A**

**Question: 5**

Which segregation of duties would best reduce the risk of payroll fraud?

- A. Human resources personnel add employees, and payroll personnel process hours and enter employee bank account numbers. Paychecks are automatically deposited in the employee's bank account.
- B. Human resources personnel add employees, payroll personnel process hours, and human resources personnel deliver paychecks to employees.
- C. Human resources personnel add employees, review and submit payroll hours to the payroll department for processing, and deliver paychecks to employees.
- D. Human resources personnel add employees and enter employee bank information. Payroll personnel process hours, and paychecks are automatically deposited in the employee's bank account.

**Answer: A**

**Question: 6**

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: 7

An organization invests its savings in a volatile stock with the potential for high gains rather than a mutual fund with a lower expected return and lower volatility. This best describes which of the following risk concepts?

- A. Risk identification.
- B. Risk appetite.
- C. Risk capacity.
- D. Risk tolerance.

**Answer: D**

### Question: 8

Which of the following best describes the misdirection of payments on accounts receivable to an employee's bank account?

- A. Fraud open on the books.
- B. Fraud hidden on the books.
- C. Fraud off the books.
- D. Fraud on the balance sheet.

**Answer: C**

### Question: 9

When auditing the award of a major contract, which of the following should an internal auditor suspect as a red flag for a bidding fraud scheme?

1. Subsequent change orders increase requirements for low-bid items.

2. Material contract requirements are different on the actual contract than on the request for bids.
3. A high percentage of employees are charged to indirect accounts.
4. Losing bidders are hired as subcontractors.

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

**Answer: D**

### Question: 10

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.

**Answer: C**

### Question: 11

Which of the following techniques would provide the most compelling evidence that a safety hazard exists within a manufacturing facility?

- A. Observation of the facility during operations.
- B. Questioning of facility management, including the facility safety officer.
- C. Analysis of facility operating reports, focusing on instances when breakdowns occurred.
- D. Review of records involving safety violations, filed by facility production employees.

**Answer: A**

### Question: 12

While performing an accounts payable engagement, a senior auditor wants to conduct several tests of controls for travel expenses. Which of the following actions are most appropriate for the senior auditor to undertake?

1. Ensure all tests use a random sampling technique.

2. Consider a judgmental approach for the sample size.
3. Assess testing errors through root cause analysis.
4. Ensure that the entire data set is tested.

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

**Answer: C**

### Question: 13

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: 14

Which of the following factors should be considered when determining the appropriate combination of manual techniques and computer-assisted audit techniques (CAATs) to be used during an audit?

1. Acceptance of CAATs findings by entity management.
  2. Computer knowledge and expertise of the auditor.
  3. Time constraints.
  4. Level of audit risk.
- 
- A. 1 and 4
  - B. 2 and 3 only
  - C. 1, 2, and 3
  - D. 2, 3, and 4

**Answer: D**

### Question: 15

The chief audit executive (CAE) of a small internal audit activity (IAA) performs all high-risk engagements on the annual audit plan to make use of his knowledge and experience and to maximize the efficient use of audit resources. Which of the following statements is most relevant regarding this practice?

- A. The CAE's work may be reviewed by any other experienced staff member within the IAA.
- B. The CAE's work should be reviewed by an individual with the appropriate background and knowledge.
- C. The CAE may self-review his work, provided he discloses this practice in the final report.
- D. The CAE should avoid performing engagements to ensure he is able to review all audit work objectively.

**Answer: B**

### Question: 16

According to IIA guidance, which of the following is not a responsibility of the chief audit executive pertaining to documenting information to support internal audit engagement results and conclusions?

- A. Rating each engagement record to assess its relevance and accessibility for the organization's board.
- B. Controlling access to engagement records, including access by senior management.
- C. Developing retention requirements for engagement records that are consistent with organizational guidelines.
- D. Forming policies governing the custody and retention of consulting engagement records before their release to other parties.

**Answer: A**

### Question: 17

An internal auditor is using a spreadsheet application to review a cash flow forecast prepared by management.

Which of the following correctly identifies the type of evidence this information represents?

- A. Competent, corroborative evidence of future working capital requirements.
- B. Sufficient, analytical evidence of the cash flow position at a given point of time in the future.
- C. Competent, documentary evidence of future cash flow changes within the organization.
- D. Sufficient, circumstantial evidence of the future solvency of the organization.

**Answer: C**

## Question: 18

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.

**Answer: A**

## Question: 19

Which of the following statements is true regarding assurance services provided to clients outside of the organization?

- A. Assurance services for outside clients are not covered under the internal audit charter.
- B. Assurance services for outside clients must be approved on a case-by-case basis by the board of directors.
- C. The nature of assurance services for outside clients should be defined in the internal audit charter.
- D. The nature of assurance services for outside clients is the same as for internal clients.

**Answer: C**

## Question: 20

Sometimes, internal audit staff may partner with operating managers to rank risks. Which of the following outcomes may be the most beneficial aspects of this strategy?

1. Reappraising risks levels.
2. Providing accurate information to management.
3. Marketing the internal audit activity.
4. Planning safeguards for assets in high-risk areas.

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

**Answer: B**