

IIA-CIA-PART2^{Q&As}

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

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QUESTION 1

When approving the final engagement report, which of the following is most critical?

- A. Opinions are adequately supported.
- B. Conclusions are reached for all objectives.
- C. Report is distributed to appropriate parties.
- D. Report is clear and concise.

Correct Answer: A

QUESTION 2

Which of the following is the most common method management can use to manage risk within its risk appetite?

- A. Implementation of controls.
- B. Use of risk registers and dashboard.
- C. Frequent communication of risk appetite for operating personnel.
- D. Continuous evaluations and audits.

Correct Answer: A

QUESTION 3

A major insurance company provides a discount on automobile insurance if the vehicle meets certain safety criteria. Which of the following audit tests would provide an internal auditor with the best evidence that all qualifying insured automobiles are receiving the discount?

- A. Compare the percentage of automobiles receiving discounts this year to that of last year.
- B. Ask managers whether they are aware of the discount criteria and whether they are providing the discount to all qualifying automobiles.
- C. Select a sample of automobiles that are not receiving the discount and determine if they have been properly excluded.
- D. Select a sample of automobiles receiving the discount and determine that the required discount criteria are being met.

Correct Answer: C

QUESTION 4

Which of the following types of sampling techniques should an internal auditor use when testing the effectiveness of internal controls?

- A. Mean-per-unit sampling.
- B. Attributes sampling.
- C. Variables sampling.
- D. Dollar-unit sampling.

Correct Answer: B

QUESTION 5

New environmental regulations require the board to certify that the organization's reported pollutant emissions data is accurate. The chief audit executive (CAE) is planning an audit to provide assurance over the organization's compliance with the environmental regulations. Which of the following groups or individuals is most important for the CAE to consult to determine the scope of the audit?

- A. The audit committee of the board.
- B. The environmental, health, and safety manager.
- C. The organization's external environmental lawyers.
- D. The organization's insurance department.

Correct Answer: B

QUESTION 6

An internal auditor suspects that employee turnover is unusually high at the organization's primary manufacturing plant. To investigate this potential issue, which of the following analytical approaches is the auditor likely to use?

- A. Ratio analysis.
- B. Vertical analysis.
- C. Benchmarking.
- D. Cost-benefit analysis.

Correct Answer: B

QUESTION 7

The internal audit activity (IAA) wants to measure its performance related to the quality of audit recommendations. Which of the following client survey questions would best help the IAA meet this objective?

- A. Were audit findings relevant and useful to management?

- B. Does the audit report format present issues clearly and concisely?
- C. Does the IAA work with a high degree of professionalism and objectivity?
- D. Were the findings reported in a timely manner?

Correct Answer: A

QUESTION 8

What type of analysis is performed when an auditor tests for unusual variations in information by comparing the number of employees working at a factory site with the direct cost of production each month over a period of one year?

- A. Trend analysis.
- B. Ratio analysis.
- C. Regression analysis.
- D. Horizontal analysis.

Correct Answer: C

QUESTION 9

Which two of the following considerations must an internal auditor take into account while planning an audit of an accounting system/application that has been in use for the last five years?

1.

The level and manner of linkages between the business\\' mission, objectives, and structure and the accounting system/application.

2.

Presence or absence of computerized and manual controls that address risks.

3.

Identification of risks at the application level, e.g. availability and security of the system.

4.

Testing of the system/application for bugs and errors.

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

Correct Answer: B

QUESTION 10

An internal auditor is conducting an initial risk assessment of an audit area and wants to assess management's compliance with privacy laws for safeguarding customer information stored on the organization's servers. Which course of action is appropriate for this phase of the engagement?

- A. Solicit the services of a specialist information systems auditor.
- B. Obtain the most current approved copies of the organization's privacy policy.
- C. Consult with legal counsel about new privacy laws to establish appropriate criteria.
- D. Consider the detection risk of noncompliance with the laws.

Correct Answer: A

QUESTION 11

Which of the following would constitute a violation of the IIA Code of Ethics?

- A. An internal auditor, who has recently joined the organization, has accepted an assignment to audit the electronics manufacturing division. The auditor previously served as senior auditor for the external audit of that division and has audited many electronics companies during the past two years.
- B. An internal auditor has accepted an assignment to audit the warehousing function six months from now. The auditor has no expertise in that area but has signed up for courses in warehousing that will be completed before the assignment begins.
- C. An internal auditor has no ambitions for promotion and has not engaged in training or other professional development activities during the last three years. The auditor's performance assessments indicate consistent quality of work.
- D. An internal auditor discovered an internal financial fraud during the year, and the financial statements were adjusted to properly reflect the loss associated with the fraud. The auditor discussed the fraud with the external auditor during the external auditor's review of the working papers detailing the incident.

Correct Answer: C

QUESTION 12

According to IIA guidance, which of the following is least likely to be a key financial control in an organization's accounts payable process?

- A. Require the approval of additions and changes to the vendor master listing, where the inherent risk of false vendors is high.
- B. Monitor amounts paid each period and compare them to the budget to identify potential issues.
- C. Compare employee addresses to vendor addresses to identify potential employee fraud.

D. Monitor customer quality complaints compared to the prior period to identify vendor issues.

Correct Answer: D

QUESTION 13

Management has asked the internal audit activity to perform an operational audit of a division that recently reported an increase in expenditures in addition to a decrease in profits. However, existing internal audit resources are currently engaged in a legal compliance audit. Which factor would be considered least important in deciding whether resources should be removed from the legal compliance audit to the operational audit?

- A. The increase in expenditures at the division over the past year.
- B. The probability that the legal compliance audit will detect fraud.
- C. The results of the external auditor's most recent financial audit.
- D. The potential for regulatory fines associated with the legal compliance audit.

Correct Answer: C

QUESTION 14

Which of the following is the most important concept to be included in a consulting engagement agreement?

- A. Define the duties and responsibilities needed from management to perform the engagement.
- B. Disclose the fact that auditors who perform the work may not be subject matter experts in the topic of the review.
- C. Clarify that matters discovered during the engagement may also be reported to senior management and the audit committee.
- D. Disclose the fact that follow-up reviews may be conducted to ensure that recommendations are implemented adequately.

Correct Answer: C

QUESTION 15

The scope of a business process review primarily involves:

- A. Appraising the environment and comparing against established criteria.
- B. Assessing the organization's system of internal controls.
- C. Reviewing routine financial information and assessing the appropriateness of various accounting treatments.
- D. Evaluating organizational and departmental structures, including assessments of transaction flows.

Correct Answer: D

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