

IIA

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Internal Audit Function

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Question: 1

Upon completing a follow-up audit engagement, the chief audit executive (CAE) noted that management has not implemented any mitigation measures to address the high risks that were reported in the initial audit report. What initial step must the CAE take to address this situation?

- A. Communicate the issue to senior management
- B. Discuss the issue with members of management responsible for the risk area
- C. Report the situation to the external auditors
- D. Escalate the issue to the board

Answer: B

Explanation:

According to the International Standards for the Professional Practice of Internal Auditing, when significant risk exposures remain unaddressed after a follow-up engagement, the CAE must first discuss the matter with the appropriate level of management responsible for the area. The purpose is to determine whether there is a valid reason for not implementing the recommended corrective actions, to clarify management's perspective, and to encourage timely resolution. If management still refuses to act and the risk remains high, the CAE must then escalate the issue to senior management and, if necessary, to the board. Immediate escalation to the board without first discussing with management is inappropriate, as it bypasses the chain of accountability. Reporting directly to external auditors is also not the responsibility of the CAE unless specifically mandated by regulation or law. Therefore, the correct initial step is to discuss the issue with management responsible for the risk area (Option B).

Question: 2

The board is considering outsourcing the internal audit function to an external service provider. Which of the following would always remain the responsibility of the organization?

- A. Ongoing monitoring of the quality of internal audit documents
- B. Defining audit scopes sufficient to achieve the engagements' objectives
- C. Maintaining a quality assurance and improvement program
- D. Assessment of organizational risks for the annual audit plan

Answer: D

Explanation:

Even if the internal audit activity is outsourced, the organization's senior management and the board retain overall responsibility for governance, risk management, and control processes. Specifically, management must ensure that an annual risk assessment is performed to identify and prioritize organizational risks. This forms the basis of the internal audit plan.

While the external service provider may assist in planning and execution, the assessment of risks to the organization cannot be delegated away because accountability for risk management remains with the organization itself. Activities such as quality assurance programs or audit scope discussions can be supported or executed by the service provider, but responsibility for risk assessment is always with management and the board.

IIA Standards – Standard 2070: External Service Provider and Organizational Responsibility for Internal Auditing.

Question: 3

During the process of setting the annual audit plan, the chief audit executive receives a request from senior management to conduct an assurance engagement on the cybersecurity controls of the organization. Which of the following is a reason cybersecurity should be included in the annual internal audit plan?

- A. In order to maintain good relationships with senior management
- B. Cybersecurity is a new area for auditors to learn
- C. Cybersecurity has been identified as a high risk during the annual risk assessment
- D. The Global Internal Audit Standards require that all management-requested engagements be included in the annual internal audit plan

Answer: C

Explanation:

The internal audit plan must be risk-based, as required by the IIA Standards. If cybersecurity has been identified as a high risk during the annual risk assessment, then it should be included in the audit plan to provide assurance over the adequacy of controls.

Including engagements simply to satisfy management (Option A) or for auditor learning purposes (Option B) does not align with risk-based planning principles. Likewise, management requests alone (Option D) do not dictate audit plan content; engagements must be prioritized based on risk to the organization.

IIA Standards – Standard 2010: Planning; Implementation Guide 2010 – Risk-Based Planning.

Question: 4

Which of the following documents would provide an internal auditor with information on the length of time to maintain documents after the completion of an engagement?

- A. Internal audit charter
- B. Annual internal audit plan
- C. Internal audit policies
- D. Quality assurance and improvement program

Answer: C

Explanation:

The retention and maintenance of internal audit engagement records, including the period of time they must be kept, is governed by the internal audit activity's policies and procedures. These policies provide guidance on record retention consistent with organizational requirements, legal and regulatory obligations, and professional standards.

The charter (Option A) defines purpose, authority, and responsibility but does not detail document retention. The annual plan (Option B) outlines engagements but not recordkeeping. The quality assurance and improvement program (Option D) addresses continuous improvement and compliance with standards, not retention guidelines.

Therefore, the correct source for document retention requirements is internal audit policies (Option C).

IIA Standards – Standard 2330: Documenting Information; Implementation Guide 2330.

Question: 5

How can the chief audit executive best provide the internal audit function with the resources needed to fulfill the annual audit plan?

- A. Improve skills by strengthening staff competencies
- B. Map the audit risk assessment to the organization's strategic plan
- C. Collaborate with other risk management functions in the organization
- D. Refine its audit processes according to the Global Internal Audit Standards

Answer: A

Explanation:

According to the IIA Standards, the CAE must ensure that the internal audit activity is appropriately staffed with competent individuals to achieve the approved audit plan. While risk-based planning and collaboration with risk functions support effectiveness, the most direct way to ensure resources are adequate is by developing and maintaining the competencies of internal audit staff through training, recruitment, and professional development.

Mapping the audit risk assessment (Option B), collaboration with risk functions (Option C), or refining processes (Option D) may strengthen planning and alignment, but they do not directly address the resource requirement. Only enhancing and ensuring competencies ensures the internal audit activity has the skills necessary to execute the plan.

IIA Standards – Standard 2030: Resource Management.

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