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1) What is one of the key responsibilities of the chief audit executive (CAE) according to The IIA's Global Internal Audit Standards?

- A. Directly conducting all internal audit engagements.
- B. Managing the internal audit function.

Answer (B) is **correct**.
The CAE is responsible for managing the internal audit function, which includes strategic planning and ensuring performance.

- C. Approving financial statements.
- D. Conducting external audits.



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2) What is the role of ongoing monitoring in the internal audit function?

- A. To replace the need for internal audits.
- B. To supervise, review, and measure the internal audit function.

Answer (B) is **correct**.
Ongoing monitoring involves the day-to-day supervision, review, and measurement of the internal audit function. Ongoing monitoring should be incorporated into the policies and practices used to manage the function.

- C. To ensure compliance with financial regulations.
- D. To eliminate the need for external feedback.



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3) When preparing the annual budget for the internal audit function, the CAE at a healthcare organization must balance assurance and advisory engagements. Which factor should be given the highest priority?

A. Stakeholder needs and expectations.

Answer (A) is **correct**.

The CAE must align the allocation of resources with stakeholder needs to ensure the internal audit function provides value and meets organizational objectives. Prioritizing stakeholder needs ensures that the internal audit activities are relevant and strategically aligned with the organization's goals.

B. The personal preferences of internal auditors.

C. Historical audit performance data.

D. The availability of external audit assistance.



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4) An internal auditor is evaluating the organization's control processes. Which of the following best describes a "control" according to The IIA Glossary?

A. A process to identify and assess risks.

B. An action taken to manage risk and achieve objectives.

Answer (B) is **correct**.

An organization's control processes include policies, procedures, and activities designed and operated to manage risks to be within the level of an organization's risk tolerance. According to The IIA Glossary, a control is any action taken by management, the board, or other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

C. A policy designed to provide assurance on governance.

D. A procedure to monitor the effectiveness of risk management.



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5) Control by management is the result of

A. Planning, organizing, and directing of organizational activities.

Answer (A) is **correct**.

A control is any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives will be achieved (The IIA Glossary). Thus, control by management is the result of proper planning, organizing, and directing.

B. Ascertaining needs, identifying alternative courses of action, setting standards for measuring performance, and comparing outcomes with predetermined standards.

C. Authorizing and monitoring performance and comparing actual performance with planned performance.

D. Determining efficiency and economy of operations, including whether objectives have been met.



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6) Which of the following is the best description of what is performed by internal auditors? They

A. Evaluate the effectiveness of compliance with laws and regulations.

B. Assess the reliability of financial forecasting and budgeting processes.

C. Review the effectiveness of governance, risk management, and control processes.

Answer (C) is **correct**.

Internal auditors play a crucial role in evaluating various aspects of an organization. They provide insights into governance, risk management, and control processes to enhance overall performance. For example, internal auditors may assess how well these processes are functioning to identify areas for improvement.

D. Analyze the effect of employee satisfaction on productivity alone.



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7) When assessing the risk associated with an activity, an internal auditor should

- A. Determine how the risk should best be managed.
- B. Provide assurance on the management of the risk.

Answer (B) is **correct**.

The internal audit function must evaluate and contribute to the improvement of processes using a systematic, disciplined, and risk-based approach. An assurance service is an objective examination of evidence to provide an independent assessment.

- C. Update the risk management process based on risk exposures.
- D. Design controls to mitigate the identified risks.



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8) An internal auditor at a mid-sized manufacturing company is tasked with evaluating the internal audit function's adherence to The IIA's Global Internal Audit Standards. Which of the following methods would best support this evaluation?

- A. Reviewing past audit reports for compliance with standards.
- B. Conducting interviews with the board and senior management.
- C. Implementing a checklist or automated tool to assess compliance.

Answer (C) is **correct**.

Using a checklist or automated tool provides a systematic approach to ensure compliance with established methodologies and standards, as recommended by The IIA. This structured method supports comprehensive and consistent assessments. According to Standard 9.3 Methodologies, the CAE must establish methodologies to guide the function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.

- D. Comparing the audit budget with other departments' budgets.



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- 9) An internal auditor at a mid-sized manufacturing organization has been tasked with evaluating the effectiveness of the organization's governance processes. The CAE has recommended adopting an established framework for this evaluation. In the absence of an adopted framework, which action should the CAE take to ensure a comprehensive assessment?
- A. Develop a custom framework tailored to the organization's specific needs.
 - B. Recommend the adoption of a globally recognized framework, such as the one provided by COSO.

Answer (B) is **correct**.

The CAE should recommend the adoption of a globally recognized framework like the COSO internal control framework to ensure a comprehensive and standardized evaluation of governance processes. This approach facilitates consistency and best practices in assessing governance.

- C. Use a combination of different frameworks to cover all possible areas.
- D. Rely on the organization's existing policies and procedures without an established framework.



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- 10) An internal audit function within a large financial institution is tasked with evaluating the effectiveness of the governance processes. During this evaluation, the chief audit executive (CAE) notices that the organization has not adopted any established governance framework. What should the CAE do to address this situation?
- A. Immediately adopt a framework without consulting the board.
 - B. Ignore the lack of a framework because it is not a mandatory requirement.
 - C. Proceed with the audit and report the lack of a framework as a minor issue.
 - D. Recommend a suitable governance framework to the board for adoption.

Answer (D) is **correct**.

The CAE should recommend the adoption of a suitable governance framework because it helps in systematically evaluating and improving governance processes. This recommendation is consistent with the responsibilities of the internal audit function. It provides a structured approach to managing risks and enhancing governance performance.



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11) During a review of the organization's risk management processes, an auditor finds that several key risks are not being adequately addressed. What is the most appropriate recommendation?

- A. Increase the organization's risk tolerance levels.
- B. Develop and implement additional control measures.

Answer (B) is **correct**.
Implementing additional control measures addresses the identified risks, aligning with internal audit's role in enhancing risk management processes. This approach reinforces risk mitigation efforts to safeguard organizational objectives.

- C. Dismiss the findings as being outside the scope of the audit.
- D. Advise management to accept the risks without action.



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12) During an audit at a tech company, the internal audit function discovers a gap in data privacy controls. What should the CAE prioritize to address this issue?

- A. Increase the audit budget to cover additional resources.
- B. Conduct a training session on data privacy for the entire staff.
- C. Recommend the implementation of enhanced control measures.

Answer (C) is **correct**.
Recommending enhanced control measures directly addresses the identified gap and helps mitigate the risk, aligning with internal audit's role in improving control processes. This proactive approach focuses on strengthening data privacy and security.

- D. Schedule a follow-up audit to reassess the gap in 6 months.



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13) A CAE at a multinational corporation is tasked with revising the internal audit charter. During this process, which of the following should be clearly defined?

A. The roles and responsibilities of the board, senior management, and the internal audit function.

Answer (A) is **correct**.

The internal audit charter establishes the mandate of the internal audit function, which includes documenting the roles and responsibilities of the board, senior management, and the internal audit function. Defining roles and responsibilities ensures clarity and alignment with organizational objectives, facilitating effective governance and risk management. This clarity is crucial for establishing a strong foundation for the internal audit function.

B. The financial budget for the internal audit function.

C. The personal goals of internal auditors.

D. The preferred audit methodologies.



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14) A new chief audit executive (CAE) is appointed in an organization. How should the CAE proceed with the internal audit methodologies?

A. Immediately implement the CAE's own methodologies without review.

B. Keep the existing methodologies unchanged for the first year.

C. Immediately change the methodologies to reflect the latest industry trends.

D. Conduct an evaluation of existing methodologies and revise as necessary.

Answer (D) is **correct**.

According to Standard 9.3 Methodologies, the CAE must evaluate the effectiveness of internal audit methodologies and revise them if necessary to successfully meet the goals of the internal audit function. Evaluating and revising methodologies ensures they remain effective and aligned with the organization's objectives, which is a key responsibility of the CAE. This careful evaluation supports the continuous improvement and relevance of audit practices.



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15) A new CAE at a large healthcare organization is evaluating the current internal audit methodologies. Which factor is **least** likely to necessitate a revision of these methodologies?

- A. Changes in the organization's strategic objectives.
- B. Established methodologies not aligning with current professional standards.
- C. A stable regulatory environment with no recent changes.

Answer (C) is **correct**.

According to Standard 9.3 Methodologies, the CAE must evaluate the effectiveness of internal audit methodologies and revise them if necessary to successfully meet the goals of the internal audit function. A stable regulatory environment suggests that no external changes are needed to revise the audit methodologies. Continuity in regulations implies that existing methods may remain adequate until further developments occur.

- D. Feedback from stakeholders indicating inefficiencies in current processes.



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16) A chief audit executive (CAE) at a financial institution needs to revise the internal audit methodologies. What situation most likely warrants such a revision?

- A. A minor change in the internal audit team composition.
- B. Implementation of new industry regulations affecting audit practices.

Answer (B) is **correct**.

According to Standard 9.3 Methodologies, the CAE must evaluate the effectiveness of internal audit methodologies and revise them if necessary to successfully meet the goals of the internal audit function. Significant changes in legal or regulatory requirements are a key reason to update internal audit methodologies to ensure compliance and relevance. This adaptation ensures that audit practices remain aligned with external expectations and regulatory standards.

- C. An increase in the number of audit engagements completed on time.
- D. A routine annual review of the audit plan.



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17) An internal auditor at a financial institution is conducting a risk management assessment. The auditor finds that the risk management processes are not aligned with the organization's risk tolerance. What should be the auditor's primary recommendation to address this issue?

A. Revise the risk management processes to align with the risk tolerance.

Answer (A) is **correct**.

Organizations review performance results and consider risk. Performance results that deviate from target performance or tolerance may indicate

- Unidentified risks,
- Improperly assessed risks,
- New risks,
- Opportunities to accept more risk, or
- The need to revise target performance or tolerance.

Revising risk management processes to align with risk tolerance ensures that risks are managed within acceptable levels and support strategic objectives. This alignment promotes the consistency and effectiveness of risk management efforts.

B. Increase the organization's risk tolerance to match current processes.

C. Reduce the scope of risk management to simplify processes.

D. Hire additional staff to manage identified risks.



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18) The CAE at an IT services organization is drafting a new internal audit plan. What key factor should be considered to ensure the plan aligns with the organization's strategic objectives?

A. The personal goals of the internal audit team.

B. The historical data from previous audit plans.

C. The organization's strategic plan and risk assessment.

Answer (C) is **correct**.

According to Standard 9.3 Methodologies, the CAE must establish methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards. Aligning the audit plan with the organization's strategic plan and risk assessment ensures that the internal audit function supports the achievement of strategic objectives and addresses key risks. This alignment helps the function to add value and remain relevant to the organization's direction.

D. The availability of external audit consultants.



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- 19) During a compliance audit, an internal auditor at a tech company discovers that certain practices do not adhere to industry regulations. How should the auditor address this finding to uphold ethical standards?
- A. Document the finding but do not report it to senior management if it does not significantly affect the company.
 - B. Discuss the finding informally with peers to gauge their opinions.
 - C. Adjust the audit report to highlight only major issues.
 - D. Report the finding to the CAE and suggest corrective actions.

Answer (D) is **correct**.

Internal audit contributes to an organization's success by providing assurance of operational efficiency, reliability of reporting, compliance with laws and regulations, safeguarding of assets, and ethical culture. Reporting the finding to the CAE and suggesting corrective actions ensure transparency and uphold ethical standards by addressing regulatory noncompliance. This practice supports accountability and integrity within the organization.



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- 20) During an internal audit engagement, the CAE discovers that the internal audit function's resource allocation is significantly misaligned with the internal audit plan. What is the most appropriate course of action for the CAE to address this issue?

- A. Notify the board and senior management about the misalignment.

Answer (A) is **correct**.

The IIA's Global Internal Audit Standards state that the CAE is responsible for managing the internal audit function and that this responsibility includes strategic planning, obtaining and deploying resources, and ensuring and enhancing the performance of the function. The CAE is therefore responsible for monitoring internal audit operations to ensure that the established methodologies and resource commitments facilitate progress toward performance objectives. The CAE should inform the board and senior management to ensure that the resource allocation issues are addressed and aligned with strategic objectives and the audit plan. This communication supports informed decision making and prioritization.

- B. Reallocate resources immediately to align with the audit plan.
- C. Adjust the audit plan to fit the current resource allocation.
- D. Suspend all audit activities until resources are properly aligned.



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