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Question 1

Question Type: MultipleChoice

According to Maslow's hierarchy of needs theory, which of the following best describes a strategy where a manager offers an assignment to a subordinate specifically to support his professional growth and future advancement^

Options:

- A- Esteem by colleagues.
- B- Self-fulfillment.
- C- Sense of belonging in the organization
- D- Job security.

Answer:

B

Explanation:

According to Maslow's hierarchy of needs theory, self-fulfillment or self-actualization represents the highest level of human motivation, where an individual seeks to achieve personal growth, professional development, and realization of their potential. Offering an

assignment to a subordinate to support their professional growth and future advancement aligns with this concept, as it helps the individual achieve a sense of self-fulfillment.

Question 2

Question Type: MultipleChoice

A chief audit executive (CAE) identifies that the internal audit activity lacks a necessary skill to perform a management request for a consulting engagement. According to IIA guidance, which of the following is the most appropriate action the CAE should take regarding the request?

Options:

- A- Assign the engagement to a more senior internal auditor.
- B- Decline the engagement request.
- C- Allow the internal auditors to acquire the needed skills while performing the engagement.
- D- Supervise the assigned internal auditors throughout the engagement.

Answer:

B

Explanation:

According to the IIA's Standards, specifically Standard 1210 - Proficiency, internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. If the internal audit activity lacks the necessary skill set to conduct a requested consulting engagement, the most appropriate action for the CAE is to decline the engagement request. This ensures that the internal audit activity does not compromise the quality and effectiveness of its services.

Question 3

Question Type: MultipleChoice

An organization has a mature control environment but limited internal audit resources. Given this scenario, on which of the following should the internal auditors focus their testing?

Options:

A- Detective compensating controls

B- Preventive compensating controls.

C- Detective key controls.

D- Preventive key controls

Answer:

D

Explanation:

When internal audit resources are limited, it is crucial to focus on the most critical aspects of the control environment. Preventive key controls are designed to prevent errors or irregularities from occurring, which are essential for maintaining a strong control environment. Given the mature control environment of the organization, prioritizing preventive key controls ensures that potential issues are addressed before they materialize, providing a proactive approach to risk management.

Question 4

Question Type: MultipleChoice

During a payroll audit, the internal auditor discovered that several individuals who have the same position classification as the are earning a significantly higher salary. The auditor noted the names and amounts of each; and he planned to prepare a request to the

chief audit executive for a salary increase based on this information. Which of the following IIA Code of Ethics principles was violated in this scenario?

Options:

A- Competency.

B- Objectivity.

C- integrity

D- Confidentiality

Answer:

B

Explanation:

When internal audit resources are limited, it is crucial to focus on the most critical aspects of the control environment. Preventive key controls are designed to prevent errors or irregularities from occurring, which are essential for maintaining a strong control environment. Given the mature control environment of the organization, prioritizing preventive key controls ensures that potential issues are addressed before they materialize, providing a proactive approach to risk management.

Question 5

Question Type: MultipleChoice

Which of the following situations is most likely to heighten an internal auditors professional skepticism regarding potential fraud?

Options:

- A- A procurement manager does not have the expected academic credentials for his position
- B- A salesperson frequently complains about the organization's policy on sales commissions.
- C- The accounts payable supervisor has requested advances against her monthly salary on several occasions
- D- A financial accountant is absent from work frequently due to regular medical procedures

Answer:

A

Explanation:

Professional skepticism is an essential attitude for internal auditors, particularly when assessing the risk of fraud. According to the IIA's Practice Guide 'Internal Auditing and Fraud', one of the red flags that may heighten an internal auditor's professional skepticism is the presence of employees whose qualifications or credentials do not match the requirements of their positions. In this case, a procurement

manager lacking the expected academic credentials raises concerns because it could indicate potential fraudulent activities such as unqualified decision-making or manipulation of procurement processes.

Question 6

Question Type: MultipleChoice

According to IIA guidance, which of the following statements is true regarding reporting the results of the quality assurance and improvement program?

Options:

- A-** Results of internal assessments need to be reported to the board at least once every five years.
- B-** The external assessor must present the findings from the external assessment to senior management and the board upon completion.
- C-** Deficiencies within the internal audit activity must be reported to the board as soon as they are noted
- D-** Results of ongoing monitoring of the internal audit activity's performance must be reported to senior management and the board at least annually

Answer:

D

Explanation:

The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) provide guidance on the reporting requirements of the quality assurance and improvement program. According to Standard 1320, 'The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.' This communication must include the results of both internal and external assessments and ongoing monitoring. Specifically, the results of ongoing monitoring of the internal audit activity's performance should be reported to senior management and the board at least annually. This ensures that the internal audit activity maintains its proficiency, enhances its effectiveness, and complies with the Standards.

Question 7

Question Type: MultipleChoice

An organization uses the management-by-objectives method, whereby employee performance is based on defined goals. Which of the following statements is true regarding this approach?

Options:

- A-** It is particularly helpful to management when the organization is facing rapid change.
- B-** It is a more successful approach when adopted by mechanistic organizations.
- C-** it is more successful when goal-setting is performed not only by management, but by all team members, including lower-level staff
- D-** it is particularly successful in environments that are prone to having poor employer-employee relations

Answer:

C

Explanation:

Management-by-Objectives (MBO): This method involves setting clear, measurable objectives that employees and management agree on. It aligns individual performance with organizational goals.

Inclusive Goal-Setting: When goal-setting is inclusive, involving all team members, it fosters a sense of ownership and commitment to the goals. This collaboration enhances motivation and accountability.

Empirical Evidence: Research and practical experience indicate that MBO is more effective when employees at all levels are involved in the goal-setting process, as it leads to better performance and job satisfaction.

IIA Standards and Best Practices: Encouraging participation from all levels aligns with the principles of good governance and effective management, which are central to the IIA's standards and best practices.

Principles of Management-by-Objectives (MBO) .

Question 8

Question Type: MultipleChoice

Which of the following activities would an internal auditor perform as a consulting engagement for an organization?

Options:

- A-** Advising new internal auditors working for the organization on how to develop strategies on planning audits for the upcoming fiscal year
- B-** Assessing whether the organization's corporate social responsibility program is meeting its yearly goals to reduce carbon emissions.
- C-** Briefing the organization's department managers on how to implement risk management processes into their daily operations.
- D-** Communicating with senior management to better understand how new purchasing controls will minimize payment processing time

Answer:

C

Explanation:

Consulting Engagements: Consulting engagements are advisory in nature and are intended to add value and improve an organization's governance, risk management, and control processes.

Role of Internal Auditor: In a consulting role, an internal auditor provides advice, facilitates risk management, and helps enhance the efficiency and effectiveness of operations.

Briefing Managers: By briefing department managers on how to implement risk management processes into their daily operations, the internal auditor is providing valuable advice that can help improve the organization's risk management framework.

IIA Standards: The IIA's standards emphasize that consulting activities should aim at improving governance, risk management, and control processes without taking on management responsibilities.

IIA Standard 2010 -- Planning .

Question 9

Question Type: MultipleChoice

The internal audit activity is planning an assurance engagement for a foreign subsidiary. According to IIA guidance, which of the following would be included in the preliminary communication to management of the area under review?

Options:

- A- The scope of the engagement, the estimated time frame, and the names of the auditors.
- B- The estimated time frame, the names of the auditors, and the resources and travel budget
- C- The names of the auditors, the resources and travel budget, and the scope of the engagement.
- D- The resources and travel budget, the scope of the engagement, and the estimated time frame.

Answer:

A

Explanation:

Preliminary Communication: Preliminary communication to management of the area under review is essential in setting clear expectations and ensuring transparency regarding the upcoming audit.

Key Elements to Include:

Scope of the Engagement: Define what will be covered in the audit to ensure that management understands the focus areas and objectives.

Estimated Time Frame: Provide a timeline for the audit activities, including the start and end dates, to help management plan and allocate resources accordingly.

Names of the Auditors: Identify the auditors involved to facilitate communication and coordination with the audit team.

IIA Guidance: According to the IIA standards, communicating these elements helps in building a cooperative relationship and ensures that there are no misunderstandings regarding the audit process.

IIA Standard 2201 -- Planning Considerations .

Question 10

Question Type: MultipleChoice

Which of the following statements is most accurate with respect to the required elements of the quality assurance and improvement program?

Options:

- A-** Internal assessments provide sufficient objectivity to provide evidence to the board that the internal audit activity understands the organization's control processes.
- B-** Quality assessments focus on the internal audit activity's structure, relationships with stakeholders, compliance with the Standards, and internal audit staff proficiency.
- C-** in order to comply with the Standards, the internal audit activity must obtain an objective assessment of its processes and function at least once a year

D- Internal auditors completing internal assessments must demonstrate certification to perform quality assessments

Answer:

B

Explanation:

Understanding Quality Assessments: Quality assessments in internal audit activities are designed to evaluate various aspects such as the structure of the internal audit activity, relationships with stakeholders, compliance with the IIA Standards, and the proficiency of internal audit staff.

Internal Assessments: These include ongoing monitoring of the performance of the internal audit activity and periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

External Assessments: External assessments should be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization to ensure objectivity and comprehensiveness.

Focus Areas: Quality assessments should focus on compliance with the IIA Standards, the effectiveness of the internal audit activity's structure, the quality of relationships with stakeholders, and the proficiency and continuous professional development of internal audit staff.

Continuous Improvement: The quality assurance and improvement program (QAIP) should be designed to enable the internal audit activity to add value and improve an organization's operations. It helps ensure that the internal audit activity is in compliance with the IIA Standards and Code of Ethics and continuously improves.

Question 11

Question Type: MultipleChoice

According to IIA guidance, which of the following actions by the chief audit executive would best ensure that internal auditors demonstrate due professional care?

Options:

- A- Developing policies and procedures for the internal audit activity
- B- Ensuring the internal audit activity is not found fallible during audit engagements.
- C- Undertaking all engagements that management requests of the internal audit activity.
- D- Ensuring the internal audit activity reports functionally to the board of directors

Answer:

A

Explanation:

Professional Care: Ensuring that internal auditors demonstrate due professional care involves establishing clear policies and procedures that guide their activities.

Guidance and Standards: These policies and procedures help ensure that the internal audit activity adheres to professional standards and best practices.

Standard Compliance: According to the IIA's Performance Standard 2040 -- Policies and Procedures, the CAE must establish policies and procedures to guide the internal audit activity.

Quality Assurance: Properly developed policies and procedures contribute to the overall quality and effectiveness of the internal audit activity, ensuring that engagements are conducted with due professional care.

IIA Standard 2040 -- Policies and Procedures .

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