

Certified Internal Auditor® (CIA®) Examination

Part 1: Essentials of Internal Auditing

SECTION A – CASE STUDY QUESTIONS

(Total: 40 Marks)

Answer all questions. Each question carries 20 marks.

Question 1 – Governance, Risk, and Control (20 Marks)

Scenario:

Solarix Ltd., an energy solutions company, has grown rapidly in multiple countries. The internal audit team identified that several business units have weak internal control frameworks and outdated risk registers. Meanwhile, executive management has overridden procurement controls to expedite deals with local vendors.

Required:

- Describe the role of internal audit in evaluating governance and risk management practices.
- Explain how management override affects the control environment and how internal auditors should respond.
- Recommend steps to improve the organization's risk management and control processes.

May include but is not limited to:

- Internal audit's role in independent assurance
- Board oversight and tone at the top
- Management override and ethical concerns
- Improving risk identification and control monitoring
- COSO ERM framework application

Question 2 – Ethical Considerations in Internal Auditing (20 Marks)

Scenario:

During a routine audit at MedSure Ltd., the internal auditor discovers that senior managers are hiding regulatory non-compliance to avoid reputational damage. The auditor is advised by management to remove the issue from the audit report to "protect stakeholders' confidence."

Required:

- Identify the ethical dilemma and explain how the IIA Code of Ethics applies to this situation.
- Discuss the internal auditor's responsibility regarding objectivity and integrity.
- Suggest appropriate actions the auditor should take while maintaining professional ethics.

May include but is not limited to:

- Principles of the IIA Code of Ethics: integrity, objectivity, confidentiality, and competency
- Examples of ethical breaches and conflicts of interest
- Whistleblowing, reporting to the board/audit committee
- Refusal to alter audit findings

SECTION B – DESCRIPTIVE QUESTIONS

(Total: 60 Marks)

Answer all questions. Each question carries 10 marks.

Question 3 – Internal Audit Charter and Mandate (10 Marks)

Required:

- Describe the key components of an internal audit charter according to the Global Internal Audit Standards.

b) Explain the roles of the board, senior management, and the Chief Audit Executive in establishing the internal audit mandate.

May include but is not limited to:

- Purpose, authority, and responsibility of internal audit
- Approval and periodic review by the board
- Board oversight and independence
- The CAE's communication and accountability

Question 4 – Assurance vs. Advisory Services (10 Marks)

Required:

- a) Define assurance and advisory services in internal auditing.
- b) Provide two examples of each type and explain when each would be appropriate.

May include but is not limited to:

- Assurance: objective assessment of evidence
- Advisory: consulting role without assuming management responsibility
- Examples: compliance audits, due diligence, system implementation support
- Scope definition and client expectations

Question 5 – Fraud Risk and Auditor's Role (10 Marks)

Required:

- a) Explain the fraud triangle and give one example for each element.
- b) Describe how internal auditors contribute to detecting and responding to fraud risks.

May include but is not limited to:

Fraud triangle: opportunity, pressure, rationalization

Red flags and anomalies

Reporting suspected fraud

Coordination with investigation teams

Question 6 – Risk Management Process (10 Marks)

Required:

- a) Explain the concepts of inherent risk and residual risk.
- b) Describe the role of internal audit in assessing an organization's risk management framework.

May include but is not limited to:

- Definitions and differences of inherent vs residual risk
- Internal audit's evaluation of risk appetite, tolerance, and response
- Risk registers and mitigation strategies
- IIA's Three Lines Model

Question 7 – Information Technology and Internal Audit (10 Marks)

Required:

- a) Describe the importance of IT security audits in today's audit landscape.
- b) Discuss two risks related to IT systems that internal auditors should assess.

May include but is not limited to:

- Cybersecurity, data breaches, access control
- IT general controls and application controls
- Backup systems and disaster recovery
- Risks like unauthorized access and data manipulation

Question 8 – Reporting and Communication in Internal Audit (10 Marks)

Required:

- a) Outline the key elements of an effective internal audit report.
- b) Explain how communication with stakeholders enhances the value of internal audit.

May include but is not limited to:

- Executive summary, findings, recommendations, and management response
- Clear, concise, and timely communication
- Feedback mechanisms
- Enhancing stakeholder trust and transparency