

QUESTION 1 of 18

When the internal audit function performs an assurance engagement, how many parties are involved?

- A. One.
- B. Two.
- C. Three.**
- D. The entire organization.

Explanation

Answer "C" is correct:

Three parties are involved in an assurance engagement. They are the process owner (the party directly involved with the process or system), the internal auditor (the assessor), and the user of the assessment. For an assurance service, the internal audit function determines the nature and scope of the engagement and objectively assesses the evidence gathered. The evidence and its evaluation form the basis for expressing an opinion or stating a conclusion about the subject matter of the engagement.

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QUESTION 2 of 18

The primary difference between assurance engagements and advisory engagements is the

- A. Level of confidence the engagement provides.**
- B. Effectiveness of the consulting recommendations.
- C. Level of management responsibility for performance.
- D. Cost to perform the engagement.

Explanation

Answer "A" is correct:

Advisory services provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. Assurance services are evaluations conducted by internal auditors to help organizations establish trust and confidence in their governance, risk management, and control processes. They provide valuable insights to help organizations improve and maintain their operations, ultimately leading to greater stability and sustainability. Assurance services involve assessments where internal auditors objectively examine an organization's practices and processes. This is done to determine how well they meet established standards or criteria, which help stakeholders feel more confident about how the organization operates.

Assurance Services I - Assurance Services

QUESTION 3 of 18

Assurance services involve an internal auditor's

- A. Appraisal of the efficiency of a function.
- B. Assessment of conformance with laws.
- C. Expression of opinions or conclusions.
- D. All of the answers are correct.**

Explanation

Answer "D" is correct:

According to the Global Internal Audit Standards Glossary, assurance services are "services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational/performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed."

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QUESTION 4 of 18

An evaluation of the effectiveness of an organization's fraud prevention process is an example of which one of the following types of engagements?

- A. Compliance.
- B. Operational.**
- C. Information technology.
- D. Governance.

Explanation

Answer "B" is correct:

Operational assurance is the review of a function or process to appraise the efficiency and economy of operations and the effectiveness with which those functions achieve their objectives. The scope includes (1) product quality, (2) customer service, (3) revenue maximization, (4) expense minimization, (5) fraud prevention, (6) asset safeguarding, (7) corporate social responsibility and citizenship, (8) streamlined workflows, (9) safety, and (10) staffing.

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QUESTION 5 of 18

Which of the following activities would be considered an assurance service by the internal auditors?

- A. The board is in the due diligence phase of a new company acquisition. The CFO has asked for the internal auditor's opinion of the new company's debt structure.**
- B. The director of inventory control has hired 20 temporary employees for the seasonal business. The director has requested internal audit to provide training on the importance of inventory control procedures.
- C. The employee turnover in the tax department has been exceptionally high this year. The tax director has requested internal audit's assistance in preparing property tax returns.
- D. Internal auditing has agreed to work with the warehouse manager in examining organizational performance for the purpose of promoting change.

Explanation

Answer "A" is correct:

Assurance services involve the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matter. Generally, three parties are participants in assurance services: (1) the process owner (the new company), (2) the internal auditor, and (3) the user or group using the assessment (the board).

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QUESTION 6 of 18

What is the best description of information technology (IT) assurance?

- A. Review of controls that focus on an organization's ability to comply with established labor laws and policies.
- B. Review and testing of IT to assure the integrity of information.**
- C. Determining that year-to-year growth in sales is measurable using accounting methods.
- D. Reviewing credit policies to determine whether only qualified customers are being granted favorable credit terms.

Explanation

Answer "B" is correct:

IT assurance is the review and testing of IT (for example, computers, technology infrastructure, IT governance, mobile devices, and cloud computing) to assure the integrity of information. Traditionally, IT auditing has been done in separate projects by IT audit specialists, but increasingly it is being integrated into all audits.

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QUESTION 7 of 18

Which one of the following statements is true regarding the parties involved in an assurance engagement?

- A. Two parties are involved, the process owner and the internal auditor.
- B. One party is involved, the internal auditor.
- C. Three parties are involved, the process owner, the internal auditor, and the user.**
- D. Four parties are involved, the board, the process owner, the internal auditor, and the user.

Explanation

Answer "C" is correct:

Three parties are involved in an assurance engagement: (1) the process owner, (2) the internal auditor, and (3) the user.

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QUESTION 8 of 18

The primary objective of assurance services provided by internal audit is to

- A. Directly manage organizational operations and increase profitability.
- B. Provide independent assessments to strengthen governance, risk management, and control processes.**
- C. Ensure organizational confidentiality and privacy are never breached.
- D. Offer legal advice and protect the organization from litigation.

Explanation

Answer "B" is correct:

Assurance services independently evaluate and strengthen an organization's governance, risk management, and control processes. They enhance trust and confidence in the organization's operations, promoting efficiency and the safeguarding of assets.

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QUESTION 9 of 18

What is a key difference between internal audit assurance engagements and those performed by external auditors?

- A. Internal audit focuses solely on financial statements.
- B. External audit has a more comprehensive scope.
- C. Internal audit emphasizes the effectiveness of internal controls.**
- D. External auditors primarily verify compliance with internal policies.

Explanation

Answer "C" is correct:

Internal audit engagements emphasize evaluating the effectiveness and efficiency of internal controls across various organizational processes. They extend beyond financial statements to include operations, compliance, and internal controls. External audits primarily focus on financial statement accuracy.

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QUESTION 10 of 18

Which of the following is a primary objective of IT assurance in an internal audit engagement?

- A. Managing daily IT operations.
- B. Enhancing the user-friendliness of IT systems.
- C. Ensuring the integrity of information.**
- D. Setting strategic IT goals.

Explanation

Answer "C" is correct:

IT assurance includes reviewing and testing IT systems and processes to ensure the integrity and security of information. Assurance is critical for the organization's operations and compliance. Thus, internal auditors evaluate controls related to IT governance and infrastructure.

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What element is least likely to be included in an IT assurance audit conducted by internal auditors?

- A. Assessment of technology infrastructure.
- B. Evaluation of IT governance.
- C. User satisfaction surveys.**
- D. Testing of cloud computing controls.

Explanation

Answer "C" is correct:

Although user satisfaction is important, IT assurance emphasizes the integrity, reliability, and security of systems rather than directly assessing user satisfaction. Safeguarding the information assets is the ultimate objective.

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QUESTION 12 of 18

The primary purpose of assurance services provided by internal auditors is to

- A. Provide management advisory services.
- B. Ensure the organization adheres to internal policies.
- C. Strengthen the organization's ability to create and maintain value.**
- D. Manage day-to-day operations efficiently.

Explanation

Answer "C" is correct:

Assurance services are performed to strengthen the organization's ability to create and maintain value. They provide independent assessments that (1) ensure efficient operations, (2) compliance with laws, (3) effective risk management, and (4) proper safeguarding of assets.

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QUESTION 13 of 18

In what way do internal auditors' assurance engagements differ from external audits?

- A. They apply only to financial statements.
- B. Their scope can cover a wide range of organizational processes.**
- C. They are typically more expensive.
- D. They adhere to the directions given by external auditors.

Explanation

Answer "B" is correct:

Internal assurance has a broad scope and is not limited to financial auditing. Internal auditors' assurance engagements address various organizational activities and outputs beyond financial statements. They include governance, risk management, and control processes.

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The main goal of assurance services provided by the internal audit function is to

- A. Enhance profitability.
- B. Improve governance, risk management, and control processes.**
- C. Increase market share.
- D. Reduce employee turnover.

Explanation

Answer "B" is correct:

Assurance services are intended to improve an organization's governance, risk management, and control processes. Internal auditors provide evaluations to help establish confidence among stakeholders regarding how well the organization is managed by enhancing organizational operations.

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QUESTION 15 of 18

Which of the following best describes operational assurance?

- A. Testing IT systems for compliance.
- B. Evaluating financial statement accuracy.
- C. Appraising the efficiency and effectiveness of operations.**
- D. Assessing ethical conduct.

Explanation

Answer "C" is correct:

Operational assurance involves reviewing a function or process to determine the efficiency and effectiveness of its operations. This service includes evaluating whether processes achieve their intended objectives effectively. The scope of operational assurance includes, for example, product quality, customer service, and fraud prevention.

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Internal auditor-conducted assurance services performed in an organization are intended to most likely

- A. Provide guidance on strategic initiatives.
- B. Help external auditors understand internal controls.
- C. Evaluate the effectiveness of internal risk management processes.**
- D. Manage and direct day-to-day operations.

Explanation

Answer "C" is correct:

Assurance services are designed to provide an objective examination of internal practices and processes to evaluate how well they meet established standards. The overriding purpose is to strengthen the organization's governance, risk management, and control processes. The result is to ensure compliance with laws, effective risk management, and asset safeguarding. These services are intended also to enhance organizational trust and stakeholder confidence.

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QUESTION 17 of 18

What distinguishes assurance services from advisory services within an internal audit function?

- A. Assurance services provide recommendations.
- B. Advisory services involve evaluating processes against established criteria.
- C. Assurance services are objective evaluations to enhance governance, risk management, and control processes.**
- D. Advisory services improve stakeholder confidence in organizational operations.

Explanation

Answer "C" is correct:

Assurance services involve internal auditors conducting objective evaluations to ensure that governance, risk management, and control processes meet established criteria, thereby enhancing stakeholder confidence.

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The nature and scope of an assurance engagement are determined by the

- A. Board.
- B. Internal auditor.**
- C. Senior management.
- D. Engagement client.

Explanation

Answer "B" is correct:

The board and senior management decide the extent and types of internal audit services. But, in accordance with the internal audit mandate, internal audit has the right to provide objective assurance, advice, insight, and foresight. Thus, nature and scope of an assurance engagement are determined by the internal auditor. An assurance engagement involves the internal auditor's objective assessment of evidence to provide opinions or conclusions regarding an entity, operation, function, process, system, or other subject matter. Assurance services include performing financial, performance, compliance, system security, and due diligence engagements.

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