

CIA Challenge Exam for Qualified Information Systems Auditors

I. Essentials of Internal Auditing (50%)

1. Foundations of Internal Auditing

- A. Interpret The IIA's Mission of Internal Audit, Definition of Internal Auditing, and Core Principles for the Professional Practice of Internal Auditing, and the purpose, authority, and responsibility of the internal audit activity (P)
- B. Explain the requirements of an internal audit charter (required components, board approval, communication of the charter,
- C. Interpret the difference between assurance and consulting services provided by the internal audit activity (P)
- D. Demonstrate conformance with the IIA Code of Ethics (P)

2. Independence and Objectivity

- A. Interpret organizational independence of the internal audit activity (importance of independence, functional reporting, etc.)
- B. Identify whether the internal audit activity has any impairments to its independence (B)
- C. Assess and maintain an individual internal auditor's objectivity, including determining whether an individual internal auditor has any impairments to his/her objectivity (P)
- D. Analyze policies that promote objectivity (P)

3. Proficiency and Due Professional Care

- A. Recognize the knowledge, skills, and competencies required (whether developed or procured) to fulfill the responsibilities of the internal audit activity (B)
- B. Demonstrate the knowledge and competencies that an internal auditor needs to possess to perform his/her individual responsibilities, including technical skills and soft skills (communication skills, critical thinking, persuasion/negotiation and
- C. Demonstrate due professional care (P)
- D. Demonstrate an individual internal auditor's competency through continuing professional development (P)

4. Quality Assurance and Improvement Program

- A. Describe the required elements of the quality assurance and improvement program (internal assessments, external assessments, etc.) (B)
- B. Describe the requirement of reporting the results of the quality assurance and improvement program to the board or other governing body (B)
- C. Identify appropriate disclosure of conformance vs. nonconformance with The IIA's International Standards for the Professional Practice of Internal Auditing (B)

5. Governance, Risk Management, and Control

- A. Describe the concept of organizational governance (B)
- B. Recognize the impact of organizational culture on the overall control environment and individual engagement risks and
- C. Recognize and interpret the organization's ethics and compliance-related issues, alleged violations, and dispositions (B)
- D. Describe corporate social responsibility (B)
- E. Interpret fundamental concepts of risk and the risk management process (P)
- F. Describe globally accepted risk management frameworks appropriate to the organization (COSO - ERM, ISO 31000, etc.) (B)
- G. Examine the effectiveness of risk management within processes and functions (P)
- H. Recognize the appropriateness of the internal audit activities role in the organization's risk management process (B)
- I. Interpret internal control concepts and types of controls (P)
- J. Apply globally accepted internal control frameworks appropriate to the organization (COSO, etc.) (P)
- K. Examine the effectiveness and efficiency of internal controls (P)

6. Fraud Risks

- A. Interpret fraud risks and types of frauds and determine whether fraud risks require special consideration when conducting an engagement (P)
- B. Evaluate the potential for occurrence of fraud (red flags, etc.) and how the organization detects and manages fraud risks (P)
- C. Recommend controls to prevent and detect fraud and education to improve the organization's fraud awareness (P)
- D. Recognize techniques and internal audit roles related to forensic auditing (interview, investigation, testing, etc.) (B)

II. Practice of Internal Auditing (30%)

1. Managing the Internal Audit Activity

A. Describe policies and procedures for the planning, organizing, directing, and monitoring of internal audit operations (B)
B. Interpret administrative activities (budgeting, resourcing, recruiting, staffing, etc.) of the internal audit activity (B)
C. Interpret the types of consulting engagements (training, system design, system development, due diligence, privacy, benchmarking, internal control assessment, process mapping, etc.) designed to provide advice and insight (P)
D. Describe coordination of internal audit efforts with the external auditor, regulatory oversight bodies, and other internal assurance functions, and potential reliance on other assurance providers (B)
E. Recognize that the chief audit executive communicates the annual audit plan to senior management and the board and seeks the boards approval (B)
F. Recognize that the chief audit executive reports on the overall effectiveness of the organizations internal control and risk management processes to senior management and the board (B)
G. Recognize internal audit key performance indicators that the chief audit executive communicates to senior management and the board periodically (B)
2. Planning the Engagement
A. Determine engagement objectives and evaluation criteria and scope of the engagement (P)
B. Plan the engagement to assure identification of key risks and controls (P)
C. Complete a detailed risk assessment of each audit area, including evaluating and prioritizing risk and control factors (P)
D. Determine engagement procedures and prepare the engagement work program (P)
E. Determine the level of staff and resources needed for the engagement (P)
3. Performing the Engagement
A. Apply appropriate analytical approaches and process mapping techniques (process identification, workflow analysis, process map generation and analysis, spaghetti maps, RACI diagrams, etc.) (P)
B. Determine and apply analytical review techniques (ratio estimation, variance analysis, budget vs. actual, trend analysis, other reasonableness tests, benchmarking, etc.) (B)
C. Prepare workpapers and documentation of relevant information to support conclusions and engagement results (P)
D. Identify key activities in supervising engagements (coordinate work assignments, review workpapers, evaluate auditors' performance, etc.) (B)
4. Communicating Engagement Results and Monitoring Progress
A. Arrange preliminary communication with engagement clients (P)
B. Describe the chief audit executive's responsibility for assessing residual risk (B)
C. Assess engagement outcomes, including the management action plan (P)
D. Manage monitoring and follow-up of the disposition of audit engagement results communicated to management and the board (P)
III. Business Knowledge for Internal Auditing (20%)
1. Organizational Objectives, Behavior, and Performance
A. Describe the strategic planning process and key activities (objective setting, globalization and competitive considerations, alignment to the organization's mission and values, etc.) (B)
B. Examine common performance measures (financial, operational, qualitative vs. quantitative, productivity, quality, efficiency, effectiveness, etc.) (P)
C. Explain organizational behavior (individuals in organizations, groups, and how organizations behave, etc.) and different performance management techniques (traits, organizational politics, motivation, job design, rewards, work schedules, etc.) (B)
D. Describe management's effectiveness to lead, mentor, guide people, build organizational commitment, and demonstrate entrepreneurial ability (B)
2. Organizational Structure and Business Processes
A. Appraise the risk and control implications of different organizational configuration structures (centralized vs. decentralized, flat structure vs. traditional, etc.) (B)
B. Examine the risk and control implications of common business processes (human resources, procurement, product development, sales, marketing, logistics, management of outsourced processes, etc.) (P)
C. Identify project management techniques (project plan and scope, time/team/resources/cost management, change management, etc.) (B)

D. Recognize the various forms and elements of contracts (formality, consideration, unilateral, bilateral, etc.) (B)
3. Financial Accounting and Finance
A. Identify concepts and underlying principles of financial accounting (types of financial statements and terminologies such as bonds, leases, pensions, intangible assets, research and development, etc.) (B)
B. Recognize advanced and emerging financial accounting concepts (consolidation, investments, fair value, partnerships, foreign currency transactions, etc.) (B)
C. Interpret financial analysis (horizontal and vertical analysis and ratios related to activity, profitability, liquidity, leverage, etc.) (P)
D. Describe revenue cycle, current asset management activities and accounting, and supply chain management (including inventory valuation and accounts payable) (B)
E. Describe capital budgeting, capital structure, basic taxation, and transfer pricing (B)
4. Managerial Accounting
A. Explain general concepts of managerial accounting (cost-volume-profit analysis, budgeting, expense allocation, cost-benefit analysis, etc.) (B)
B. Differentiate costing systems (absorption, variable, fixed, activity-based, standard, etc.) (B)
C. Distinguish various costs (relevant and irrelevant costs, incremental costs, etc.) and their use in decision making (B)

(B) = Basic, (P) = Proficient