

SA 610(Revised) - Using the Work of Internal Auditors

Select True or False

1. This SA deals with direct assistance instances where the internal auditors perform audit procedures under the direction, supervision and review of the external auditor.
 - a) True
 - b) False
2. The external auditor's responsibility is reduced by the external auditor's use of the work of the internal audit function.
 - a) True
 - b) False
3. An external auditor is not required to review the scope of the internal audit function.
 - a) True
 - b) False
4. Irrespective of the legal and regulatory framework, if external auditor uses work of the internal audit function, external auditor is required to include in audit documentation, the working papers of the internal audit function.
 - a) True
 - b) False
5. Internal auditor shares the responsibility of the opinion expressed by the external auditor.
 - a) True
 - b) False
6. The external auditor shall, in communicating with those charged with governance, an overview of the planned scope and timing of the audit in accordance with SA 260(Revised), communicate how the external auditor has planned to use the work of the internal audit function.
 - a) True
 - b) False
7. The external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors.
 - a) True
 - b) False

MCQs on Engagement and Quality Control Standards

8. The objectives of internal audit function will always be consistent across entities irrespective of the size and structure of the entity and the requirements of management.
 - a) True
 - b) False
9. An external auditor may rely on internal audit function but the external auditor is not required to inform the internal auditors of any significant matters arising in the statutory audit that could affect the internal audit function.
 - a) True
 - b) False
10. The internal audit function cannot be assigned to review compliance with laws, regulations and other external requirements, and with management policies and directives and other internal requirements.
 - a) True
 - b) False
11. If the internal auditor is professionally qualified, the external auditor is not required to evaluate the technical competence and proficiency of the internal auditor.
 - a) True
 - b) False
12. The manner in which the internal auditor plans, supervises, reviews and documents his work does not impact the external auditor.
 - a) True
 - b) False
13. The manner in which internal auditor selects samples is not relevant for an external auditor.
 - a) True
 - b) False

Fill in the blanks:

14. The external auditor has a ____ responsibility while using the work of internal auditor.
 - a) Joint
 - b) Joint and several
 - c) Sole

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Choose the correct option from the following:

15. If the external auditor uses the work of the internal audit function, the external auditor shall include in the audit documentation:
- I. The evaluation of:
 - i. Whether the function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors;
 - ii. The level of competence of the function;
 - iii. Whether the function applies a systematic and disciplined approach, including quality control.
 - II. The nature and extent of the work used and the basis for that decision
 - III. The audit procedures performed by the external auditor to evaluate the adequacy of the work used.

Solution:

- a) I & II
 - b) II & III
 - c) I & III
 - d) All of the Above
16. If the external auditor uses internal auditors to provide direct assistance on the audit, the external auditor shall include in the audit documentation:
- I. The evaluation of the existence and significance of threats to the objectivity of the internal auditors, and the level of competence of the internal auditors used to provide direct assistance;
 - II. The basis for the decision regarding the nature and extent of the work performed by the internal auditors;
 - III. Who reviewed the work performed and the date and extent of that review in accordance with SA 230.

Solution:

- a) I & II
- b) II & III
- c) I & III
- d) All of the Above

17. Internal Audit Function includes:-

- I. Activities relating to Governance
- II. Activities Relating to Risk Management
- III. Activities Relating to Internal Control

Solution:

- a) I & II
- b) II & III
- c) I & III
- d) All of the Above

18. Activities Relating to Internal Control include:-

- I. Evaluation of internal control.
- II. Examination of financial and operating information.
- III. Review of operating activities.
- IV. Review of compliance with laws and regulations.

Solution:

- a) I & III
- b) II & IV
- c) III & IV
- d) II & III
- e) All of the Above

19. The external auditor shall not use the work of the internal audit function if the external auditor determines that:

- I. The function's organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors;
- II. The function lacks sufficient competence;
- III. The function does not apply a systematic and disciplined approach, including quality control.

Solution:

- a) Any of the above is true
- b) I and II are true
- c) II and III are true
- d) I and III are true

20. What makes the coordination effective between an external auditor and an internal auditor?

- I. Discussions take place at appropriate intervals;
- II. The external auditor has access to relevant internal audit reports and communication of significant matters noted by the internal auditors relevant for the work of the external auditor;

MCQs on Engagement and Quality Control Standards

- III. The external auditor informs the internal auditors of any significant matters that may affect the internal audit function.

Solution:

- a) I and II
 - b) I and III
 - c) II and III
 - d) All of the above
21. Examples of work of the internal audit function that can be used by the external auditor include the following:
- I. Testing of the operating effectiveness of controls.
 - II. Substantive procedures involving limited judgment.
 - III. Observations of inventory counts.
 - IV. Tracing transactions through the information system relevant to financial reporting.
 - V. Testing of compliance with regulatory requirements.

Solution:

- a) I, II, III, V
 - b) II, III & IV
 - c) IV, V & II
 - d) All of the Above
22. In discussing the planned use of their work with the internal audit function as a basis for coordinating the respective activities, it may be useful to address the following:
- I. The timing of such work;
 - II. The extent of audit coverage;
 - III. Materiality and performance materiality;
 - IV. Proposed methods of item selection and sample sizes;

Solution:

- a) I, II & III
- b) II, III & IV
- c) I & II
- d) All of the Above