

IIA

Exam Questions IIA-CRMA-ADV

Certification in Risk Management Assurance



NEW QUESTION 1

- (Topic 1)

Which of the following techniques would best assist an internal auditor in evaluating the efficiency of a wholesale grocery distributor's process to fill and package orders for shipping?

- A. A Bedford analysis of orders filled to average delivery times.
- B. Decision trees rating actual performance against requirements.
- C. Queuing theory to assess potential bottlenecks in the process.
- D. A program evaluation and review technique chart.

Answer: C

NEW QUESTION 2

- (Topic 1)

The results of an internal audit activity's (IAA) quality assurance and improvement program are favorable and an external assessment was completed within the last five years. Which of the following statements may the IAA use to describe its work?

- A. "Completed with the advance certification of the External Assessors Association for Auditing Review."
- B. "Conforms with the International Standards for the Professional Practice of Internal Auditing."
- C. "Certified 100% accuracy, per the International Standards of External Assessment."
- D. "Compliant with all domestic and international legal statutes, and certified quality assured for ten years."

Answer: B

NEW QUESTION 3

- (Topic 1)

During an engagement, an internal auditor decided to use variance analysis as an auditing techniques. Which of the following steps should the auditor pursue if he discovers unexpected deviations of actual results from budget?

- A. Report the deviations immediately to the audit committee.
- B. Gather additional information to determine the cause of the deviations.
- C. Conclude that the budget was unreasonably set and accept the deviations.
- D. Perform alternative forms of analytical procedures which provide no deviations.

Answer: B

NEW QUESTION 4

- (Topic 1)

According to IIA guidance, which of the following best describes processes and tools typically used in ongoing internal assessments?

- A. Benchmarking of the internal audit activity's practices and performance.
- B. Report of internal assessment results, response plans, and outcomes.
- C. Analysis of performance metrics such as cycle times.
- D. Self-assessments and surveys of stakeholder groups.

Answer: C

NEW QUESTION 5

- (Topic 1)

A candidate has applied for an entry level internal audit position. The candidate holds a CISA (Certified Information Systems Auditor) designation, and has six months of audit experience, but limited knowledge of accounting principles and techniques. According to the IIA guidance, which of the following is the most relevant reason for the chief audit executive to consider this candidate?

- A. Other internal auditors possess sufficient knowledge of accounting principles and techniques.
- B. The candidate's information systems knowledge and real-world experience in internal auditing.
- C. Accounting skills can be learned over time with appropriate training.
- D. An entry level position does not require expertise in any particular area.

Answer: B

NEW QUESTION 6

- (Topic 1)

The audit committee is concerned that the small size of the internal audit activity (IAA) makes it impractical to achieve full conformance with the Standards. To address this concern, which of the following actions is most appropriate for the CAE to take?

- A. The CAE should agree with the audit committee and implement only those standards appropriate to the size of the IAA.
- B. The CAE should request the audit committee to review the Standards to identify specifically which are creating the greatest concern.
- C. The CAE should seek sufficient funding to increase audit resources to meet the minimum requirements of the Standards.
- D. The CAE should explain that conformance with the Standards is essential and not dependent upon the size of the IAA.

Answer: D

NEW QUESTION 7

- (Topic 1)

Which of the following would most likely be considered a red flag for fraud?

- A. An organization lacks a whistleblower hotline for reporting suspicious activity.
- B. A senior manager has been delegating the authority to sign-off on small dollar amount purchases to a subordinate.
- C. An employee in charge of payroll disbursements has rotated these duties with several colleagues.
- D. An employee with significant personal debt is in charge of handling large wire transfers for the organization.

Answer: D

NEW QUESTION 8

- (Topic 1)

An internal auditor finds during an engagement that payment for the organization's general insurance policy is two months overdue. The issue is informally mentioned to the finance department which immediately submits the invoice for payment. The auditor decides to exclude this finding from the final audit report as the oversight was immediately corrected and there were no consequences because of this late payment.

Which of the following rules of conduct as described in the IIA Code of Ethics, did the auditor fail to uphold?

- A. Confidentiality.
- B. Objectivity.
- C. Integrity.
- D. Competency.

Answer: B

NEW QUESTION 9

- (Topic 1)

Which of the following statements is true regarding the use of non-statistical sampling in auditing control tests?

- A. It considers tolerable deviation rate more effectively than does statistical sampling.
- B. Sampling risk will be accurately quantified through non-statistical sampling.
- C. Non-statistical sample results must be projected to the population.
- D. Lesser evidence is required to support a conclusion than for statistical sampling.

Answer: C

NEW QUESTION 10

- (Topic 1)

According to IIA guidance, which of the following is the best example of a system application control?

- A. A physical security control over a data center.
- B. A system development life cycle control.
- C. A program change management control.
- D. An input control over data integrity.

Answer: D

NEW QUESTION 10

- (Topic 1)

An internal auditor for a large retail chain suspects that a store manager has been stealing money from cash sales by listing the sales as accounts receivable and then writing off the accounts as bad debts. Which of the following irregularities is the most likely cause of the auditor's suspicion?

- A. A much higher bad debt expense as a percentage of sales than that of previous years.
- B. A much higher bad debt expense as a percentage of sales than that of other stores.
- C. A much higher percentage of past-due accounts receivable than that of other stores.
- D. A much higher percentage of past-due accounts receivable than that of previous years.

Answer: B

NEW QUESTION 14

- (Topic 1)

Which of the following would not be a red flag for fraud?

- A. Several recent, large expenditures to a new vendor have not been documented.
- B. A manager has bragged about multiple extravagant vacations taken within the last year, which are excessive relative to the manager's salary.
- C. A weak control environment has been accepted by management to encourage creativity.
- D. New employees occasionally fail to meet established project deadlines due to staffing shortages.

Answer: D

NEW QUESTION 19

- (Topic 1)

The chief audit executive (CAE) of a mid-sized pharmaceutical organization has operational responsibility for the regulatory compliance function. The audit committee requests an assessment of regulatory compliance. According to IIA guidance, which of the following is the CAE's best course of action?

- A. Have a proficient internal audit staff member perform the assessment and disclose the impairment in the audit report and to the board.
- B. Have a regulatory compliance staff member perform a self-assessment, to be reviewed by a proficient internal auditor.
- C. Have a proficient internal audit staff member perform the audit and report the results of the assessment directly to senior management and the board.
- D. Contract with a third-party entity or external auditor to complete the assessment and report the results to senior management and the board.

Answer: D

NEW QUESTION 22

- (Topic 1)

An internal audit manager of a furniture manufacturing organization is planning an audit of the procurement process for kiln-dried wood. The procurement department maintains six procurement officers to manage 24 different suppliers used by the organization.

Which of the following controls would best mitigate the risk of employees receiving kickbacks from suppliers?

- A. The periodic rotation of procurement officers' assignments to supplier accounts.
- B. A pre-award financial capacity analysis of suppliers.
- C. An automated computer report, organized by supplier, of any invoices for the same amount.
- D. Periodic inventories of kiln-dried wood at the organization's warehouse.

Answer: A

NEW QUESTION 26

- (Topic 1)

According to IIA guidance, which of the following statements is false regarding continuing professional education for the internal audit activity (IAA)?

- A. Continuing professional education can be obtained through IAA involvement in research projects.
- B. Employers are responsible for ensuring that the continuing professional education needs of the IAA are met.
- C. Completion of self-study courses fulfills IAA continuing professional education requirements.
- D. Specialized education that meets unique organizational needs cannot qualify as IAA professional development.

Answer: B

NEW QUESTION 31

- (Topic 1)

According to IIA guidance, which of the following statements regarding the internal audit charter is true?

- A. Senior management should approve the charter before it is submitted to the board.
- B. The charter should describe the purpose and authority of the internal audit activity, consistent with the Standards.
- C. The charter should define the consulting services that the internal audit activity is permitted to perform.
- D. The CEO periodically should assess whether the terms of the charter continue to be adequate.

Answer: A

NEW QUESTION 32

- (Topic 1)

During an internal audit, the internal auditor compares the employee turnover rate in the area being audited with the employee turnover rate in the organization as a whole.

This is an example of which of the following analytical auditing procedures?

- A. Reasonableness test.
- B. Regression analysis.
- C. Benchmarking.
- D. Trend analysis.

Answer: C

NEW QUESTION 34

- (Topic 1)

When an internal auditor applies due professional care to perform an assurance engagement, which of the following must she consider?

- * 1. Findings of the last audit engagement performed.
- * 2. Probability of significant errors, irregularities, or noncompliance.
- * 3. Extent of work needed to achieve engagement objectives.
- * 4. Cost of the engagement versus the potential benefits.

- A. 1 and 4 only
- B. 2 and 3 only
- C. 2, 3, and 4 only
- D. 1, 2, 3, and 4

Answer: C

NEW QUESTION 35

- (Topic 1)

What is the primary purpose of a fishbone diagram?

- A. To depict the areas of responsibility for departments in an organization.
- B. To plan and control complex projects, such as internal audits.
- C. To represent the frequencies of adverse conditions in a given process.
- D. To identify the possible causes of adverse conditions.

Answer: D

NEW QUESTION 40

- (Topic 1)

When conducting an interview, an internal auditor is most likely to ask open-ended questions in order to:

- A. Obtain specific answers and maximize efficiency.
- B. Gather factual data on several different topics.
- C. Determine agreement or disagreement with a stated viewpoint.
- D. Obtain information based on the person's own perspective.

Answer: D

NEW QUESTION 44

- (Topic 1)

A computer system automatically locks a user's account after three unsuccessful attempts to log on. Which type of control does this scenario represent?

- A. Corrective control.
- B. Preventive control.
- C. Detective control.
- D. Compensating control.

Answer: B

NEW QUESTION 47

- (Topic 1)

An internal auditor would like to identify the involvement of various organizational units in handling employee travel reimbursement claims. Which of the following methods would be most effective and efficient in completing this task?

- A. Process mapping.
- B. Interviewing.
- C. Monitoring.
- D. Distributing questionnaires.

Answer: A

NEW QUESTION 52

- (Topic 1)

Which of the following audit techniques is used to evaluate control design while also embodying auditing's analytical process?

- A. A risk and control matrix.
- B. A flowchart.
- C. A walk-through.
- D. A process narrative.

Answer: A

NEW QUESTION 55

- (Topic 1)

Which of the following is the most effective strategy to manage the risk of foreign exchange losses due to sales to foreign customers?

- A. Hire a risk consultant.
- B. Implement a hedging strategy.
- C. Maintain a large foreign currency balance.
- D. Insist that customers only pay in a stable currency.

Answer: B

NEW QUESTION 59

- (Topic 1)

Which of the following actions should an internal auditor take to exercise due professional care?

- * 1. Consider the probability of significant noncompliance in each audit engagement.
- * 2. Weigh the cost of assurance against the benefits.
- * 3. Perform assurance procedures with sufficient care to ensure that all risks are identified.

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1, 2, and 3

Answer: A

NEW QUESTION 63

- (Topic 1)

An organization has implemented a new automated payroll system that contains a table of pay rates that are matched to employee job classifications. Which control should an internal auditor suggest in order to ensure that the table is updated correctly, and is used only for valid pay changes?

- A. Restrict data-table access from management and line supervisors who have the authority to determine pay rates.
- B. Require a supervisor in the department, who has the ability to change the table, to compare the changes to a signed management authorization.
- C. Ensure that adequate edit and reasonableness checks are built into the automated system.

D. Require a manager, who is independent of the system and who cannot change the table, to authorize and sign-off on any employee pay changes.

Answer: D

NEW QUESTION 64

- (Topic 1)

The chief audit executive (CAE) has been asked to manage the regulatory compliance function for the organization's retail store operations. Store operations are included in the annual audit plan.

Which of the following strategies best fulfills the requirements of the Standards regarding these audits?

- A. The scope of store operations audits should exclude compliance.
- B. Store operations audits can be fully executed with appropriate disclosure to the board.
- C. Store operations audits should be performed by an external service provider.
- D. A store operations compliance audit should be performed by a staff internal auditor under the direction of the CAE.

Answer: C

NEW QUESTION 69

- (Topic 1)

Suspecting fraud, the chief financial officer (CFO) asked the internal audit activity to investigate a significant increase in travel related expenditures. Work was performed by a qualified internal auditor. Following the completion of the engagement, the chief audit executive (CAE) reported to the CFO that no violations were found and no fraud had occurred.

According to the Standards, which of the following principles did the CAE violate?

- A. Due professional care.
- B. Individual objectivity.
- C. Proficiency.
- D. Organizational independence.

Answer: A

NEW QUESTION 70

- (Topic 1)

Which type of objectives can best be described as broad goals that promote the effective and efficient use of resources?

- A. Strategic objectives.
- B. Operational objectives.
- C. Reporting objectives.
- D. Compliance objectives.

Answer: B

NEW QUESTION 74

- (Topic 1)

During an account receivables audit, an internal auditor found a significant number of input errors resulting in a \$500, 000 balance understatement.

Which of the following is the most important question the internal auditor should ask to develop an appropriate recommendation for this finding?

- A. Who?
- B. How?
- C. Why?
- D. When?

Answer: C

NEW QUESTION 76

- (Topic 1)

Which of the following risk management activities is most appropriate for an internal auditor to undertake?

- A. Impose risk management processes.
- B. Coordinate risk management activities.
- C. Implement risk responses on management's behalf.
- D. Review the management of key risks.

Answer: D

NEW QUESTION 77

- (Topic 1)

Which of the following decisions made during the testing phase of a compliance audit requires the most judgment by an internal auditor?

- A. Which sampling methodology to select for testing.
- B. Which fields to examine on each invoice.
- C. Whether an individual expenditure is allowable.
- D. What level of noncompliance is acceptable.

Answer: D

NEW QUESTION 79

- (Topic 1)

Why is it important for the chief audit executive to periodically review the audit charter and present the results to senior management and the board?

- A. Because management requires the review to measure effectiveness of the internal audit activity.
- B. So that the individual objectivity of the internal audit staff can be more clearly established.
- C. So that there is assurance of the internal audit staff's proficiency to complete audit activities.
- D. Because changes in the organization may impair the internal audit activity's ability to meet its objectives.

Answer: D

NEW QUESTION 83

- (Topic 1)

A government agency's policy states that board members' travel and hospitality expenses must be audited annually. Which of following people or groups is most appropriate to perform this audit?

- A. The government's independent auditor.
- B. The external auditors from an accounting firm.
- C. The internal audit activity.
- D. The agency's chief compliance officer.

Answer: A

NEW QUESTION 84

- (Topic 1)

Which of the following scenarios would represent the greatest threat to the authority of the internal audit activity (IAA)?

- A. A change was implemented requiring the IAA to report administratively to the organization's chief legal counsel rather than the board.
- B. Responsibility for risk management processes were removed from the IAA and placed under a newly created chief risk officer.
- C. The IAA was denied access to expenditure and budget requirement reports because the reports were considered to be financial administrative matters.
- D. An internal auditor was informed by the chief financial officer that client survey results would be unfavorable unless the auditor changed a finding in the report.

Answer: C

NEW QUESTION 85

- (Topic 1)

What type of risk management strategy is being employed when an organization installs two firewalls to provide protection from unauthorized access to the network?

- A. Diversifying the risk that network access will not be available to legitimate, authorized users.
- B. Accepting the risk that there may be attempts at unauthorized access to the network.
- C. Avoiding the risk of having a direct network connection to un-trusted networks.
- D. Sharing the risk that either firewall could be compromised by hackers.

Answer: A

NEW QUESTION 90

- (Topic 1)

Which of the following is an example of a transaction-level control?

- A. Human resource policies.
- B. Tone at the top.
- C. Reconciliations of primary accounts.
- D. Inventory counts.

Answer: C

NEW QUESTION 95

- (Topic 1)

Which of the following would provide the best evidence of errors in the quantities of items received from suppliers?

- A. Suppliers' reports of over shipments.
- B. Warehouse receiving logs.
- C. Purchase requisitions and purchase orders.
- D. Observation and inspection of inventory.

Answer: B

NEW QUESTION 100

- (Topic 1)

According to the Standards, for how long should internal auditors who have previously performed or had management responsibility for an operation wait to become involved in future internal audit activity with that same operation?

- A. Three months.
- B. Six months.
- C. One year.
- D. Two years.

Answer: C

NEW QUESTION 102

- (Topic 1)

According to the Standards, which of the following is not a consideration when exercising due professional care for an assurance engagement?

- A. The relative complexity, materiality, or significance of matters to which assurance procedures are applied.
- B. The extent of assurance services necessary to ensure that all risks are identified.
- C. The cost of providing the assurance services in relation to potential benefits.
- D. The probability of significant errors, irregularities or instances of noncompliance.

Answer: B

NEW QUESTION 107

- (Topic 1)

An organization's chief audit executive (CAE) determines that the internal audit staff does not have the requisite skills to conduct an audit of the financial derivatives area. Which of the following would be the best course of action for the CAE to follow?

- A. Outsource the audit engagement to a qualified external auditing firm without burdening the audit committee with the decision.
- B. Determine the requisite knowledge needed, and obtain the proper training for auditors, even if the training will significantly push back the project's timeframe as outlined by the audit committee.
- C. Notify the audit committee of the problem, and assign the most competent auditors on staff to perform the audit engagement.
- D. Employ the skills of a financial derivatives expert to consult on the project, and supplement the consulting with a local seminar on financial derivatives.

Answer: D

NEW QUESTION 112

- (Topic 1)

Which of the following is not a role of the internal audit activity in facilitating risk identification and evaluation?

- A. Evaluating risk management processes.
- B. Recommending accountability for risk management.
- C. Providing assurance that risks are evaluated correctly.
- D. Supporting managers to identify ways to mitigate risks.

Answer: B

NEW QUESTION 113

- (Topic 1)

A new chief audit executive (CAE) of a large internal audit activity (IAA) is dissatisfied with the current amount and quality of training being provided to the staff and wishes to implement improvements. According to IIA guidance, which of the following actions would best help the CAE reach this objective?

- A. Require that all staff obtain a minimum of two relevant audit certifications.
- B. Perform a gap analysis of the IAA's existing knowledge, skills and competencies.
- C. Engage a consultant to benchmark the IAA's training program against its peers.
- D. Assign one experienced manager to better coordinate staff training and development activities.

Answer: B

NEW QUESTION 116

- (Topic 1)

An internal audit activity (IAA) provided assurance services for an activity it was responsible for during the preceding year. As a result, which IIA Code of Ethics principle is presumed to be impaired?

- A. Competence.
- B. Flexibility.
- C. Objectivity.
- D. Independence.

Answer: C

NEW QUESTION 118

- (Topic 1)

Which of the following is not an appropriate activity for internal auditors to perform?

- A. Recommend management seek a consulting firm to advise on outsourcing.
- B. Highlight matters that require management's attention.
- C. Implement solutions for specific organizational problems.
- D. Accumulate data, obtain varying views, and report information to senior management.

Answer: C

NEW QUESTION 121

- (Topic 1)

Which of the following actions does not violate the IIA Code of Ethics or Standards?

- A. An internal auditor performing an audit on an operation that they managed less than a year ago.
- B. An internal auditor performing an audit on procedures that they were responsible for creating.
- C. An internal auditor disclosing details of an audit report to colleagues from a different organization.
- D. An internal auditor disclosing confidential information in response to a lawsuit.

Answer: D

NEW QUESTION 125

- (Topic 1)

Allegations have been made that an organization's share price has been manipulated.

Which of the following would provide an internal auditor with the most objective evidence in this case?

- A. Major shareholders of the organization.
- B. Large customers of the organization.
- C. Former members of management.
- D. Former financial consultants.

Answer: D

NEW QUESTION 129

- (Topic 1)

Which the following activities should be performed by the internal audit activity to facilitate an effective relationship with the audit committee?

- * 1. Periodically report about the accounting standards followed by the organization.
- * 2. Provide assurance to the audit committee that its charter, activities, and processes are appropriate.
- * 3. Ensure that the role and activities of the internal audit activity are clearly understood and responsive to the needs of the audit committee.
- * 4. Maintain open and effective communications with the audit committee.

- A. 1 and 2 only
- B. 3 and 4 only
- C. 1, 3, and 4 only
- D. 2, 3, and 4 only

Answer: D

NEW QUESTION 130

- (Topic 1)

Which of the following controls is not appropriate for sales in a manufacturing organization?

- A. Customers' orders are recorded promptly.
- B. Goods shipped are matched with valid customer orders.
- C. Goods returned are inspected for damage by the receiving department for proper disposition.
- D. Sales department approval is required for credit sales transactions.

Answer: D

NEW QUESTION 132

- (Topic 2)

Which of the following situations is most likely to impair internal audit objectivity?

- A. An internal auditor reports both functionally and administratively to the chief financial officer (CFO).
- B. An internal auditor, who was an accounts receivable intern for the organization three years prior, performs an audit of the accounts receivable cycle.
- C. According to policy, the internal auditor must obtain approval from the CFO prior to requesting information for internal audit purposes.
- D. An internal auditor performs an audit in a department that is led by the auditor's close friend.

Answer: D

NEW QUESTION 133

- (Topic 2)

A chief audit executive (CAE) reports functionally to the CEO and administratively to the chief financial officer, both of whom serve on the company's board of directors. According to IIA guidance, which of the following would offer the greatest protection for the independence of the internal audit activity?

- A. Appoint the CAE as a member of the board.
- B. Move the CAE's functional reporting to an executive who is not on the board.
- C. Obtain full board approval of the internal audit activity's annual audit plan.
- D. Move the CAE's functional reporting to the audit committee.

Answer: D

NEW QUESTION 136

- (Topic 2)

With regard To IT governance, which of the following is the most effective and appropriate role for the internal audit activity?

- A. Independently evaluate the skills and experience of potential chief information officer candidates to assess the best fit based on the organization's risk appetite.
- B. Evaluate the organization's governance standards and assess IT-related activities to identify gaps and develop policies, ensuring alignment with the organization's risk appetite.
- C. Assist management in interpreting complex IT-related privacy and security risk exposures and evaluating potential mitigation strategies.
- D. Assess whether governance activities are aligned with the organization's risk appetite and take into consideration emerging risks.

Answer: D

NEW QUESTION 137

- (Topic 2)

Which of the following statements is true regarding assurance services provided to clients outside of the organization?

- A. Assurance services for outside clients are not covered under the internal audit charter.
- B. Assurance services for outside clients must be approved on a case-by-case basis by the board of directors.
- C. The nature of assurance services for outside clients should be defined in the internal audit charter.
- D. The nature of assurance services for outside clients is the same as for internal clients.

Answer: C

NEW QUESTION 141

- (Topic 2)

Which of the following are components of the ISO 31000 risk management process?

- * 1. Setting the context.
- * 2. Risk treatment.
- * 3. Risk avoidance.
- * 4. Communication.

- A. 1 and 2 only.
- B. 2 and 3.
- C. 3 and 4.
- D. 1, 2, and 4.

Answer: A

NEW QUESTION 145

- (Topic 2)

A large trucking organization wants to reduce traffic accidents by improving its system of internal controls.

Which of the following controls is correctly classified?

- * 1. Review of speeding violations to identify repetitive locations and drivers is an example of a preventive control.
- * 2. Defensive driver training is an example of a directive control.
- * 3. The installation of tracking devices in delivery vehicles is an example of a corrective control.
- * 4. Providing a vehicle driver handbook is an example of a detective control.

- A. 1 and 2.
- B. 1 and 4.
- C. 2 and 3.
- D. 3 and 4.

Answer: A

NEW QUESTION 149

- (Topic 2)

According to IIA guidance, which of the following statements describes one of the similarities between assurance and consulting services?

- A. When planning assurance and consulting engagements, internal auditors must consider the strategies and objectives of the activity being reviewed.
- B. Internal auditors determine the engagement objectives, scope, and work program for both assurance and consulting services.
- C. Internal auditors must not provide assurance or consulting services for an activity for which they had responsibility within the previous year.
- D. Both assurance and consulting services generally involve the internal auditor, the area under review, senior management, and the board.

Answer: A

NEW QUESTION 152

- (Topic 2)

A large sales organization maintains a system of internal control according to the COSO model and has updated its code of conduct. This change relates to which component of the COSO framework?

- A. Control activities.
- B. Information and communication.
- C. Commitment.
- D. Control environment.

Answer: D

NEW QUESTION 153

- (Topic 2)

A snow removal company is conducting a scenario planning exercise where participating employees consider the potential impacts of a significant reduction in annual snowfall for the coming winter. Which of the following best describes this type of risk?

- A. Residual.
- B. Net.
- C. Inherent.
- D. Accepted.

Answer: C

NEW QUESTION 154

- (Topic 2)

An assurance mapping exercise helps an organization do which of the following?

- * 1. Provide assurance to stakeholders that risks are managed and reported, and regulatory and legal obligations are met.
- * 2. Fulfill best practices in the industry.
- * 3. Identify and address any gaps in the risk management process.
- * 4. Identify fraud.

- A. 1 and 4.
- B. 1 and 3.
- C. 2 and 3.
- D. 3 and 4.

Answer: B

NEW QUESTION 158

- (Topic 2)

According to COSO, which of the following describes a principle related to the control environment?

- A. The organization identifies and assesses changes that could significantly impact the system of internal control.
- B. The organization establishes appropriate authorities and responsibilities in the pursuit of objectives.
- C. The organization selects and develops control activities that contribute to the mitigation of risks.
- D. The organization performs evaluations to ascertain whether internal control components are present and functioning.

Answer: B

NEW QUESTION 161

- (Topic 2)

Which of the following is a detective control strategy against fraud?

- A. Requiring employees to attend ethics training.
- B. Performing background checks on employees.
- C. Implementing a control self-assessment.
- D. Performing a surprise audit.

Answer: D

NEW QUESTION 164

- (Topic 2)

In which of the following scenarios would the chief audit executive (CAE) be required to decline the assignment?

- A. The CAE would need to procure external services to deliver the internal audit assurance program.
- B. There is no expertise within the internal audit team for detecting and investigating fraud.
- C. There is no expertise within the internal audit team for auditing an IT engagement.
- D. There is no available expertise on the internal audit team to perform a consulting engagement.

Answer: B

NEW QUESTION 165

- (Topic 2)

The chief audit executive (CAE) has assigned an internal auditor to an upcoming engagement. Which of the following requirements would most likely indicate that the internal auditor was assigned to an assurance engagement?

- A. The assigned internal auditor must determine the objectives, scope, and techniques of the engagement.
- B. The CAE must personally obtain the needed skills, knowledge, or other competencies if the internal auditor does not have them.
- C. The assigned internal auditor must not assume management responsibilities while performing the engagement.
- D. The assigned internal auditor must maintain objectivity while performing the engagement.

Answer: A

NEW QUESTION 166

- (Topic 2)

An IT contractor applied for an internal audit position at a bank. The contractor worked for the bank's IT security manager two years ago. If the audit manager interviewed the contractor and wants to extend a job offer, which of the following actions should the chief audit executive pursue?

- A. Allow the audit manager to hire the contractor and state that the individual is free to perform IT audits, including security.
- B. Not allow the audit manager to hire the contractor, as it would be a conflict of interest.
- C. Allow the audit manager to hire the contractor, but state that the individual is not allowed to work on IT security audits for one year.
- D. Not allow the audit manager to hire the contractor and ask the individual to apply again in one year.

Answer: A

NEW QUESTION 171

- (Topic 2)

Which of the following is the most common method of fraud detection?

- A. Analytical reviews of high-risk areas.
- B. Detective controls built into the daily processes.
- C. Unannounced audits or reviews of programs or departments.
- D. Tips received from employees or citizens.

Answer: D

NEW QUESTION 176

- (Topic 2)

Which of the following would be the most appropriate first step for the board to take when developing an effective system of governance?

- A. Determine the organization's overall risk appetite.
- B. Establish a governance committee.
- C. Delegate authority to members of senior management.
- D. Identify key stakeholders and their expectations.

Answer: D

NEW QUESTION 179

- (Topic 2)

According to IIA guidance, which of the following are macro-level audit activities performed for an assurance engagement of the purchasing department?

- * 1. Obtain and review all purchasing-related audit reports issued within the past year.
- * 2. Meet with the quality assurance group to discuss its previous reports of any purchasing-related findings.
- * 3. Review a memo written by the purchasing manager that outlines ongoing problems with the purchasing software.
- * 4. Request a copy of the report from a purchasing audit conducted last year by an external service provider.

- A. 1 and 2.
- B. 1 and 3.
- C. 2 and 4.
- D. 3 and 4.

Answer: A

NEW QUESTION 183

- (Topic 2)

Which of the following behaviors could represent a significant ethical risk if exhibited by an organization's board?

- A. Requesting a private meeting with senior management, without the presence of the chief audit executive.
- B. Intervening during an audit involving ethical wrongdoing.
- C. Discussing periodic reports of ethical breaches.
- D. Authorizing an investigation of an unsafe product.

Answer: B

NEW QUESTION 187

- (Topic 2)

An auditor in charge was reviewing the workpapers submitted by a newly hired internal auditor. She noted that the new auditor's analytical work did not include any rating or quantification of the risk assessment results, and she returned the workpapers for correction. Which section of the workpapers will the new auditor need to modify?

- A. Condition section.
- B. Criteria section.
- C. Effect section.
- D. Cause section.

Answer: C

NEW QUESTION 192

- (Topic 2)

According to IIA guidance, which of the following statements is true regarding periodic internal assessments of the internal audit activity?

- A. Internal assessments are conducted to benchmark the internal audit activity's performance against industry best practices.
- B. Internal assessments must be performed at least once every five years by a qualified assessor.
- C. An internal auditor may perform a peer review of a colleague's workpapers, as long as the auditor wasn't involved in the audit under review.
- D. Follow-up to ensure appropriate improvements are implemented is a recommended, but not mandatory, element of internal assessments.

Answer: C

NEW QUESTION 193

- (Topic 2)

Which of the following best ensures the independence of the internal audit activity?

- * 1. The CEO and audit committee review and endorse any changes to the approved audit plan on an annual basis.
- * 2. The audit committee reviews the performance of the chief audit executive (CAE) periodically.
- * 3. The internal audit charter requires the CAE to report functionally to the audit committee.

- A. 3 only
- B. 1 and 2 only
- C. 2 and 3 only
- D. 1, 2, and 3

Answer: C

NEW QUESTION 194

- (Topic 2)

What is the purpose of a secondary control?

- A. It replaces primary controls that are either ineffective or cannot fully mitigate a risk.
- B. It partially reduces the residual risk level when a key control does not operate effectively.
- C. It combines with other controls to help reduce significant risk exposures to an acceptable level.
- D. It helps to ensure the completeness and accuracy of automated controls in a system environment.

Answer: C

NEW QUESTION 195

- (Topic 2)

According to IIA guidance, when preparing the charter for the internal audit activity, the chief audit executive (CAE), board, and senior management should agree on which of the following?

- * 1. The standards to be used by the internal audit activity.
- * 2. The internal audit activity's code of ethics.
- * 3. The CAE's reporting line.
- * 4. The internal audit activity's responsibilities.

- A. 4 only.
- B. 1 and 2 only.
- C. 3 and 4.
- D. 1,2, and 3.

Answer: C

NEW QUESTION 199

- (Topic 2)

Which of the following scenarios best illustrates a rationalization as the root cause of potential fraud?

- A. Managers who have been with the organization for several decades become aware that newly hired, younger managers are being moved more quickly into senior positions.
- B. The controller at a nationwide manufacturing company recently opted to no longer require two-week mandatory vacations for accounting staff.
- C. Security cameras that monitor cash handling at the register are not functioning.
- D. The organization is slowly phasing out three mature products that produce the highest commissions for the sales staff.

Answer: B

NEW QUESTION 200

- (Topic 2)

An organization is facing a financial downturn and needs to impose major budget reductions to all departments. According to MA guidance, which of the following actions is most appropriate for the board to take to evaluate the potential impact on the internal audit activity?

- A. Ask management to determine which internal audit engagements are lower risk and could be considered for removal from the annual audit plan.
- B. Ask appropriate stakeholders for their opinion on the potential impacts of reducing the scope of the internal audit plan.
- C. Ask the chief audit executive to determine whether budgetary limitations impede the ability of the internal audit activity to execute its responsibilities.
- D. Ask The human resources department to determine how the annual compensation and salary of the audit staff could be adjusted to achieve savings.

Answer: C

NEW QUESTION 204

- (Topic 2)

An internal auditor wants to sample data to test an audit theory in a cost-effective way. Which of the following sampling strategies should she use?

- A. Statistical sampling only
- B. Nonstatistical sampling only
- C. A combination of both statistical and nonstatistical sampling.
- D. Neither approach to testing the audit theory would be cost effective.

Answer: B

NEW QUESTION 206

- (Topic 2)

Which of the following factors have the greatest influence on the independence of the internal audit activity?

- A. Quality assessments and cultural biases of the internal audit activity.
- B. Rotational assignments and familiarity of the internal audit activity.
- C. Employee incentives and self review of the internal audit activity.
- D. Organizational positioning and scope control of the internal audit activity.

Answer: D

NEW QUESTION 211

- (Topic 2)

Which of the following is an example of collusion?

- A. An employee includes a faked receipt in his expense claim, and the claim is signed by the employee's manager.
- B. A vendor inflates the price of an item and remits a portion of the excess to the purchasing manager.
- C. A vendor sends a duplicate invoice with a new invoice number, and the accounts payable system fails to detect the duplication.
- D. An employee works with the IT manager to develop a program for identifying duplicate invoice payments.

Answer: B

NEW QUESTION 212

- (Topic 2)

An internal auditor in a small broadcasting organization was assigned to review the revenue collection process. The auditor discovered that some checks from three customers were never recorded in the organization's financial records. Which of the following documents would be the least useful for the auditor to verify the finding?

- A. Bank statements.
- B. Customer confirmation letters.
- C. Copies of sales invoices.
- D. Copies of deposit slips.

Answer: D

NEW QUESTION 217

- (Topic 2)

Which of the following professional development approaches would offer internal auditors the most opportunities to broaden their engagement experiences?

- A. Assign more experienced internal auditors to mentor the less experienced auditors.
- B. Send internal auditors to external trainings in advanced internal audit topics.
- C. Appraise internal auditors' performance and competencies at least annually and issue constructive feedback.
- D. Rotate internal auditors among different engagement assignments.

Answer: D

NEW QUESTION 220

- (Topic 2)

According to IIA guidance, which of the following must internal auditors consider to conform with the requirements for due professional care during a consulting engagement?

- * 1. The cost of the engagement, as it pertains to audit time and expenses in relation to the potential benefits.
- * 2. The needs and expectation of clients, including the nature, timing, and communication of engagement results.
- * 3. The application of technology-based audit and other data analysis techniques, where appropriate.
- * 4. The relative complexity and extent of work needed to achieve the engagement's objectives.

- A. 1, 2, and 3
- B. 1, 2, and 4
- C. 1, 3, and 4
- D. 2, 3, and 4

Answer: B

NEW QUESTION 225

- (Topic 2)

An internal auditor is using a spreadsheet application to review a cash flow forecast prepared by management. Which of the following correctly identifies the type of evidence this information represents?

- A. Competent, corroborative evidence of future working capital requirements.
- B. Sufficient, analytical evidence of the cash flow position at a given point of time in the future.
- C. Competent, documentary evidence of future cash flow changes within the organization.
- D. Sufficient, circumstantial evidence of the future solvency of the organization.

Answer: C

NEW QUESTION 230

- (Topic 2)

Which of the following are core responsibilities to be included in the internal audit charter?

- * 1. Review reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- * 2. Determine the adequacy and effectiveness of the organization's systems of internal accounting and operating controls.
- * 3. Participate in the planning and performance of audits of potential acquisitions with the organization's outside accountants and other members of the corporate staff.
- * 4. Report to those members of management who should be informed of results of audit examinations, the audit opinions formed, and the recommendations made.

- A. 1 and 2.
- B. 1 and 4.

- C. 2 and 3.
- D. 2 and 4.

Answer: A

NEW QUESTION 235

- (Topic 2)

According to IIA guidance, which of the following are considerations of due professional care when an internal auditor conducts a formal consulting engagement?

- * 1. The complexity of the work required.
- * 2. The needs and expectations of the client.
- * 3. The potential value of the engagement compared to the effort.
- * 4. Information regarding assumptions and procedures to be employed.

- A. 1 and 4 only
- B. 2 and 3 only
- C. 1, 2, and 3 only
- D. 1, 2, 3, and 4

Answer: C

NEW QUESTION 238

- (Topic 2)

Which of the following is an activity that an internal auditor must not perform?

- A. Establish and provide continuing assurance on an anti-money laundering program for new hires.
- B. Survey employees for their understanding of anti-money laundering practices.
- C. Provide assurance for the effectiveness of anti-money laundering training.
- D. Assess the risk of being fined for ineffective anti-money laundering practices.

Answer: A

NEW QUESTION 243

- (Topic 2)

An organization invests its savings in a volatile stock with the potential for high gains rather than a mutual fund with a lower expected return and lower volatility. This best describes which of the following risk concepts?

- A. Risk identification.
- B. Risk appetite.
- C. Risk capacity.
- D. Risk tolerance.

Answer: D

NEW QUESTION 244

- (Topic 2)

During an audit, the client questions the internal audit activity's authority to perform procedures over fraud allegations. According to IA guidance, which of the following would provide the most relevant support to respond to the client's concerns?

- A. Definition of Internal Auditing.
- B. MA Standards.
- C. Internal audit charter.
- D. The IIA's Code of Ethics.

Answer: C

NEW QUESTION 249

- (Topic 2)

A former line supervisor from the Financial Services Department has completed six months of a two-year development opportunity with the internal audit activity (IAA). She is assigned to a team that will audit the organization's payroll function, which is managed by the Human Resources Department. Which of the following statements is most relevant regarding her independence and objectivity with respect to the payroll audit?

- A. She may participate, but only after she has completed one year with the IAA.
- B. She may participate, because she did not previously work in the Human Resources Department.
- C. She may participate, but she must be supervised by the auditor in charge.
- D. She may participate for training purposes, to build her knowledge of the IAA.

Answer: B

NEW QUESTION 252

- (Topic 2)

Reviewing prior audit reports and supporting workpapers before an engagement starts enables an internal auditor to do which of the following?

- * 1. To understand better the activity and processes that will be audited.
- * 2. To identify the audit procedures that will be used during the engagement.
- * 3. To ensure that matters of greatest vulnerability will be addressed.
- * 4. To use the information obtained as evidence in the current engagement.

- A. 4 only

- B. 1 and 3 only
- C. 1 and 4 only
- D. 2, 3, and 4 only

Answer: B

NEW QUESTION 255

- (Topic 2)

Which of the following is the best way to detect fraud?

- A. Conduct anti-fraud training.
- B. Perform background investigations.
- C. Implement process controls.
- D. Activate a whistleblower hotline.

Answer: D

NEW QUESTION 259

- (Topic 2)

According to IIA guidance, which of the following roles would be appropriate for an internal auditor regarding fraud risk?

- * 1. Identification.
- * 2. Mitigation.
- * 3. Remediation.
- * 4. Reduction.

- A. 1 onl
- B. |
- C. 1 and 4 only.
- D. 1, 3, and 4 only.
- E. 1,2, 3, and 4.

Answer: B

NEW QUESTION 261

- (Topic 2)

Which of the following statements accurately describes an internal auditor's responsibility with regard to due professional care?

- A. An internal auditor should express an opinion only when consensus with topmanagement has been achieved.
- B. An internal auditor's opinion should be based on experience and free of all bias.
- C. An internal auditor's opinion should be based on factual evidence.
- D. An internal auditor's opinion should be limited to the effectiveness of internal controls.

Answer: C

NEW QUESTION 262

- (Topic 2)

An internal auditor is performing analytical reviews as part of an audit of a supermarket's merchandising department. Because the economy has declined since midyear, the auditor can expect to encounter which of the following?

- A. Higher inventory turnover.
- B. Higher operating margin.
- C. Lower obsolete stock disposal.
- D. Lower sales volume.

Answer: D

NEW QUESTION 265

- (Topic 2)

Forty-five percent of an organization's customer payments are submitted online. Eight percent of online payments are rejected. Executive management decides to outsource its online payment services to a contractor that will assume 75 percent of the total value of rejected payments. The organization estimates \$1.25 million customer payments due during the contract period.

Which of the following represents the organization's residual risk for online customer payments due?

- A. \$11, 250
- B. \$25, 000
- C. \$33, 750
- D. \$45, 000

Answer: A

NEW QUESTION 266

- (Topic 2)

Which of the following control activities is the most effective to ensure users' levels of access are appropriate for their current roles?

- A. The human resources department generates a monthly list of terminated and transferred employees and requests IT to update the user access as required.
- B. Standardized user access profiles are developed and the appropriate access profiles are automatically assigned to new or transferred employees.
- C. System administrator rights are assigned to one user in each department who can update user access of terminated or transferred employees immediately.

D. Department managers are required to perform periodic user access reviews of relevant systems and applications.

Answer: D

NEW QUESTION 270

- (Topic 2)

An internal auditor who is carrying out an engagement to review controls related to corporate tax reporting must possess which of the following competencies?

- * 1. Proficiency in analyzing key IT risks and controls.
- * 2. The ability to recognize significant deviations from good business practices.
- * 3. Knowledge of key indicators of fraud in tax reporting.
- * 4. The ability to recognize the existence of problems related to tax accounting.

- A. 1 and 4 only.
- B. 3 and 4 only.
- C. 2, 3, and 4 only.
- D. 1, 2, 3, and 4.

Answer: B

NEW QUESTION 273

- (Topic 2)

An internal auditor uses a predefined macro provided in a popular spreadsheet application to verify the present value of the organization's investments. Which of the following is the most appropriate course of action regarding the auditor's use of this functionality?

- A. The auditor should accept the calculations generated by the function, as any further work or documentation would be inefficient.
- B. The auditor should perform a manual recalculation of several results to validate and document the results.
- C. The auditor should review the programming of the macro before its use to ensure that it is appropriate for the required calculations.
- D. The auditor should tabulate the results in the spreadsheet to ensure the macro has generated the correct results for all calculations.

Answer: B

NEW QUESTION 276

- (Topic 2)

According to IIA guidance, which of the following is an area in which the internal auditor should be proficient?

- A. Management principles.
- B. Computerized information systems.
- C. Internal audit standards, procedures, and techniques.
- D. Fundamentals of accounting, economics, and finance.

Answer: C

NEW QUESTION 280

- (Topic 2)

Which of the following best describes the details that must be included in the quality assurance and improvement program (QAIP) report to senior management and the board?

- A. The scope and frequency of internal and external assessments as well as the qualifications and independence of the assessor.
- B. The scope and cost of the QAI
- C. frequency of internal and external assessments, and conclusions of the assessor.
- D. The scope, findings, risks, recommendations, and agreed-upon improvement actions.
- E. The number and types of people involved in the assessment, costs, and duration of the QAIP

Answer: C

NEW QUESTION 282

- (Topic 2)

In the area of business acumen, which of the following competencies would be the sole responsibility of an internal audit staff member?

- A. Maintaining industry-specific knowledge appropriate to the organization.
- B. Assessing how IT contributes to organization objectives, risks, and relevance to audit.
- C. Maintaining technical aspects of accounting standards and reporting processes.
- D. Understanding regulatory and legal framework and assessing its relevance.

Answer: D

NEW QUESTION 286

- (Topic 2)

An internal auditor is evaluating techniques management uses to mitigate risks within a particular product division. Which of the following is an example of risk reduction?

- A. Management sells the product division to a competitor.
- B. Management outsources the product division to a third party.
- C. Management allows the product division to remain unchanged.
- D. Management modifies the product division to minimize errors.

Answer: D

NEW QUESTION 290

- (Topic 2)

Which of the following is most likely to function as a directive control?

- A. Security dogs.
- B. Alert employees.
- C. Insurance claims.
- D. Cycle counts.

Answer: B

NEW QUESTION 295

- (Topic 2)

Which of the following statements is true about The IIA Global Internal Audit Competency Framework?

- A. The core competencies outlined in the framework are not expected of a person undertaking an entry-level position as an internal auditor.
- B. The framework is designed to be used primarily by chief audit executives that are developing indicators to measure the performance of the internal audit activity for which they are responsible.
- C. The framework lists the core competencies internal auditors should possess before attempting to attain The IIA's Certified Internal Auditor certification.
- D. The framework describes competencies needed for individual internal auditors, but not those necessary at the chief audit executive level.

Answer: B

NEW QUESTION 298

- (Topic 2)

A credit card company detects potential errors in credit card numbers by checking whether all entered numbers contain the correct amount of digits. This is an example of which of the following IT controls?

- A. Logic test.
- B. Check digits.
- C. Data integrity tests.
- D. Balancing control activities.

Answer: A

NEW QUESTION 302

- (Topic 2)

Which of the following statements accurately describes the responsibility of the internal audit activity regarding IT governance?

- * 1. The internal audit activity does not have any responsibility because IT governance is the responsibility of the board and senior management of the organization.
 - * 2. The internal audit activity must assess whether the IT governance of the organization supports the organization's strategies and objectives.
 - * 3. The internal audit activity may assess whether the IT governance of the organization supports the organization's strategies and objectives.
 - * 4. The internal audit activity may accept requests from management to perform advisory services regarding how the IT governance of the organization supports the organization's strategies and objectives.
- A. 1 only.
 - B. 4 only.
 - C. 2 and 4.
 - D. 3 and 4.

Answer: A

NEW QUESTION 306

- (Topic 2)

According to COSO, which of the following is not considered one of the components of an organization's internal environment?

- A. Authority and responsibility to resolve issues.
- B. Framework to plan, execute and monitor activities.
- C. Integrated responses to multiple risks.
- D. Knowledge and skills needed to perform activities.

Answer: C

NEW QUESTION 308

- (Topic 2)

According to IIA guidance, which of the following should be included in the internal audit charter?

- A. The minimum resources and competencies needed for the internal audit activity.
- B. Identification of the organizational units where engagements are to be performed.
- C. Organizational relationships and reporting lines.
- D. Assigned responsibilities for designing and implementing controls.

Answer: C

NEW QUESTION 310

- (Topic 2)

An internal auditor is conducting an assessment of the organization's fraud prevention program using the COSO enterprise risk management framework. According to this framework, which of the following activities would fall under the control environment component for preventing fraud?

- * 1. The organization uses an automated authority approval matrix to control payments.
- * 2. The organization has a whistleblower hotline that is available to employees.
- * 3. Annually, every manager completes a comprehensive fraud assessment of his or her department.
- * 4. Annually, the organization reviews and communicates the code of expected behavior.

- A. 1 and 2.
- B. 1 and 3.
- C. 2 and 3.
- D. 2 and 4.

Answer: D

NEW QUESTION 315

- (Topic 2)

Which segregation of duties would best reduce the risk of payroll fraud?

- A. Human resources personnel add employees, and payroll personnel process hours and enter employee bank account number
- B. Paychecks are automatically deposited in the employee's bank account.
- C. Human resources personnel add employees, payroll personnel process hours, and human resources personnel deliver paychecks to employees.
- D. Human resources personnel add employees, review and submit payroll hours to the payroll department for processing, and deliver paychecks to employees.
- E. Human resources personnel add employees and enter employee bank informatio
- F. Payroll personnel process hours, and paychecks are automatically deposited in the employee's bank account.

Answer: A

NEW QUESTION 316

- (Topic 2)

A chief audit executive (CAE) is reviewing the internal audit activity's performance and is concerned that the average number of revisions to findings is steadily rising, making it increasingly difficult to trace the finding to the supporting evidence and workpapers. According to MA guidance, which of the following elements of the internal audit activity's quality assurance and improvement program would provide the CAE with the most helpful insight into the cause of this problem?

- A. The overall effectiveness of the internal audit activity's periodic self assessments.
- B. The type of audit productivity and performance statistics reported.
- C. The adequacy of the day-to-day supervision and review process.
- D. The scope and frequency of external assessments.

Answer: C

NEW QUESTION 318

- (Topic 2)

According to the International Professional Practices Framework, which of the following are allowable activities for an internal auditor?

- * 1. Advocating the establishment of a risk management function.
- * 2. Identifying and evaluating significant risk exposures during audit engagements.
- * 3. Developing a risk response for the organization if there is no chief risk officer.
- * 4. Benchmarking risk management activities with other organizations.
- * 5. Documenting risk mitigation strategies and techniques.

- A. 4 and 5 only.
- B. 1, 2, and 3 only.
- C. 1, 2, 4, and 5 only.
- D. 2, 3, 4, and 5 only.

Answer: C

NEW QUESTION 320

- (Topic 2)

According to The MA Global Internal Audit Competency Framework, which of the following areas of training would best assist the internal audit activity in improving its use of tools and techniques?

- A. Negotiation and conflict resolution.
- B. Project management.
- C. Financial accounting.
- D. Ethics and fraud.

Answer: B

NEW QUESTION 324

- (Topic 2)

Sometimes, internal audit staff may partner with operating managers to rank risks. Which of the following outcomes may be the most beneficial aspects of this strategy?

- * 1. Reappraising risks levels.
- * 2. Providing accurate information to management.
- * 3. Marketing the internal audit activity.
- * 4. Planning safeguards for assets in high-risk areas.

- A. 1 and 2.
- B. 1 and 3.
- C. 2 and 3.
- D. 3 and 4.

Answer: B

NEW QUESTION 329

- (Topic 2)

The management at a national consumer goods organization implements a fair work and pay practice as well as a policy to treat employees equitably and consistently. Which common characteristics of fraud will the practice and policy most likely reduce?

- A. Pressure or incentive.
- B. Opportunity.
- C. Rationalization.
- D. Commitment.

Answer: A

NEW QUESTION 334

- (Topic 2)

A manufacturing line supervisor joins the internal audit activity for a two-year rotational job assignment and is assigned to an accounts receivable audit. With regard to this assignment, which of the following should be the primary concern of the audit manager?

- A. Due professional care.
- B. Individual independence.
- C. Individual objectivity.
- D. Organizational independence.

Answer: A

NEW QUESTION 335

- (Topic 2)

Which of the following responsibilities would fall under the role of the chief audit executive, rather than internal audit staff or the audit manager?

- A. Manage and support a quality assurance and improvement program.
- B. Maintain industry-specific knowledge appropriate to the audit engagements
- C. Set clear performance standards for internal auditors and the internal audit activity.
- D. Apply problem-solving techniques for routine situations.

Answer: C

NEW QUESTION 337

- (Topic 2)

According to IIA guidance, the results of a formal quality assessment should be reported to which of the following groups?

- A. The audit committee and senior management.
- B. The audit committee and the external auditors.
- C. Senior management and management of the audited area.
- D. Senior management and the external auditors.

Answer: A

NEW QUESTION 339

- (Topic 2)

Which of the following must be in existence as a precondition to developing an effective system of internal controls?

- A. A monitoring process.
- B. A risk assessment process.
- C. A strategic objective-setting process.
- D. An information and communication process.

Answer: B

NEW QUESTION 344

- (Topic 2)

Which of the following activities is most likely to require a fraud specialist to supplement the knowledge and skills of the internal audit activity?

- A. Planning an engagement of the area in which fraud is suspected.
- B. Employing audit tests to detect fraud.
- C. Interrogating a suspected fraudster.
- D. Completing a process review to improve controls to prevent fraud.

Answer: B

NEW QUESTION 348

- (Topic 2)

According to IIA guidance, which of the following practices by the chief audit executive (CAE) best enhances the organizational independence of the internal audit activity?

- A. CAE reviews and approves the annual audit plan.
- B. CAE meets privately with The CEO at least annually.
- C. CAE meets privately with The board at least annually.
- D. CAE reports to the board regarding audit staff performance evaluation and compensation.

Answer: D

NEW QUESTION 352

- (Topic 2)

According to IIA guidance, which of the following statements about working papers is false?

- A. They assist in the implementation of recommendations.
- B. They provide support for communication to third parties.
- C. They demonstrate compliance with auditing standards.
- D. They contribute to development of the internal audit staff.

Answer: A

NEW QUESTION 355

- (Topic 2)

When developing the organization's first risk universe, which of the following would the chief audit executive be least likely to consider?

- A. The amount of risk that an organization is willing to seek or accept.
- B. The extent and degree of interdependency for identified key risks.
- C. The boundaries established to manage the amount of risk taken.
- D. The exposure to risks following management's risk responses.

Answer: D

NEW QUESTION 357

- (Topic 2)

The manager for an organization's accounts payable department resigned her post in that capacity. Three months later, she was recruited to the internal audit activity and has been working with the audit team for the last eight months. Which of the following assignments would the newly hired internal auditor be able to execute without any impairments to independence or objectivity?

- A. An operations audit of the accounts payable department.
- B. A consulting engagement related to a new accounts payable optimization initiative.
- C. A review of the employees' sports club finances, which are overseen by the chief audit executive.
- D. An assurance review for a sales program on which she previously provided consultation.

Answer: C

NEW QUESTION 360

- (Topic 2)

Which of the following actions would be characterized as a preventive control to safeguard inventory from the risk of theft?

- * 1. Locking doors and physically securing inventory items.
- * 2. Independently observing the receipt of materials.
- * 3. Conducting monthly inventory counts.
- * 4. Requiring the use of employee ID badges at all times.

- A. 1 and 3.
- B. 1 and 4.
- C. 2 and 3.
- D. 2 and 4.

Answer: B

NEW QUESTION 364

- (Topic 2)

An internal audit charter, approved by the board, restricts the internal audit activity to providing assurance only on the reliability of financial information and the effectiveness of internal accounting controls. Which of the following statements is true regarding the extent to which the external auditor may rely on the internal audit activity's work?

- A. The external auditor may make full use of the work, as the audit charter is very specific as to the work the internal audit activity may undertake.
- B. The external auditor may use the work, as the board has approved the charter, thus taking responsibility for any deficiencies.
- C. The external auditor must disregard the work, as the scope of the charter may introduce bias and result in a lack of due professional care.
- D. The external auditor may use the work with caution, due to the internal audit activity's scope and responsibility restrictions.

Answer: D

NEW QUESTION 366

CORRECT TEXT - (Topic 2)

According to IIA guidance, which of the following scenarios demonstrates an internal auditor exercising due professional care?

When auditing investments, the auditor identified instruments with which he was unfamiliar. He decided not to select that type of investment in his sample, as he did not have the knowledge needed to

- A. perform a proper assessment.
- B. An auditor was reviewing inventory counts conducted by the warehouse staff
- C. One truck containing an immaterial amount of inventory was off-site and wasn't verified by the auditor.
- D. An auditor visited a plant that produces a significant portion of the organization's inventory
- E. The day he arrived, the plant manager was out sick, so the auditor issued the report without interviewing the manager.
- F. An auditor in charge needed to have testing completed by the end of the month, but was behind schedule
- G. He identified a junior auditor to conduct the work for him on a complex area of the organization.

Answer: A

NEW QUESTION 369

- (Topic 2)

According to IIA guidance, which of the following statements is true when an internal auditor performs consulting services that improve an organization's operations?

- A. The services must be aligned with those defined in the internal audit charter.
- B. The services must not be performed by the same internal auditor who performed assurance services, in order to maintain objectivity.
- C. The services may preclude assurance services from the consulting engagement.
- D. The services impose no responsibility to communicate information other than to the engagement client.

Answer: B

NEW QUESTION 372

- (Topic 2)

What is the additional advantage of facilitated workshops, in comparison with structured interviews, used when testing the effectiveness of entity-level controls?

- A. During facilitated workshops, people more openly say things to internal auditors than during private interviews.
- B. Internal auditors do not need other sources of information, as the data gathered during facilitated workshops is sufficient.
- C. Facilitated workshops create a synergy of discussion that can bring multiple perspectives to the same issue.
- D. The testimonial evidence obtained during facilitated workshops is generally considered more reliable.

Answer: C

NEW QUESTION 377

- (Topic 2)

While auditing an organization's credit approval process, an internal auditor learns that the organization has made a large loan to another auditor's relative. Which course of action should the auditor take?

- A. Proceed with the audit engagement, but do not include the relative's information.
- B. Have the chief audit executive and management determine whether the auditor should continue with the audit engagement.
- C. Disclose in the engagement final communication that the relative is a customer.
- D. Immediately withdraw from the audit engagement.

Answer: B

NEW QUESTION 379

- (Topic 2)

Which of the following actions best demonstrates that an internal auditor is exercising due professional care?

- A. The auditor performs thorough reviews and provides absolute assurance of regulatory compliance.
- B. The auditor is alert to the possibility of fraud and activities where irregularities are most likely to occur.
- C. The auditor recommends improvements for all of the organization's procedures and practices.
- D. The auditor is cognizant of reducing travel expenses by combining a personal vacation with a business trip.

Answer: B

NEW QUESTION 384

- (Topic 2)

Which of the following is an example of a directive control?

- A. Segregation of duties.
- B. Exception reports.
- C. Incentive compensation plans.
- D. Automated reconciliations.

Answer: C

NEW QUESTION 386

- (Topic 2)

The internal audit activity is planning a procurement audit and needs to obtain a thorough understanding of the subcontracting process, which can involve multiple individuals in multiple countries.

Which of the following internal audit tools would be most effective to document the process and the key controls?

- A. Internal control checklist.

- B. Procurement employee survey.
- C. Cross-functional flow chart.
- D. Segregation of duties matrix.

Answer: C

NEW QUESTION 389

- (Topic 2)

Which of the following is most likely to enhance an internal auditor's objectivity?

- A. An auditor is appropriately able to communicate results.
- B. An auditor performs his work free from interference.
- C. An auditor is unrestricted in determination of scope.
- D. An auditor avoids conflicts of interest.

Answer: D

NEW QUESTION 393

- (Topic 2)

Which of the following best describes the misdirection of payments on accounts receivable to an employee's bank account?

- A. Fraud open on the books.
- B. Fraud hidden on the books.
- C. Fraud off the books.
- D. Fraud on the balance sheet.

Answer: C

NEW QUESTION 396

- (Topic 2)

An internal auditor is reviewing the accounts receivable when she discovers account balances more than three years old. The auditor was previously supervising the area during this time, and she subsequently advises the chief audit executive (CAE) of a potential conflict.

Which of the following is the most appropriate course of action for the CAE to take?

- A. Replace the auditor with another audit staff member.
- B. Continue with the present auditor, as more than one year has passed.
- C. Withdraw the audit team and outsource the financial audit of the division.
- D. Work with the division's management to resolve the situation.

Answer: A

NEW QUESTION 398

- (Topic 2)

Which of the following best demonstrates the authority of the internal audit activity?

- A. Suggesting alternatives to decision makers.
- B. Improving the integrity of information.
- C. Determining the scope of internal audit services.
- D. Achieving engagement objectives.

Answer: C

NEW QUESTION 400

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