IIA

Exam Questions IIA-CRMA-ADV

Certification in Risk Management Assurance

NEW QUESTION 1
- (Topic 1)
An internal auditor is conducting an engagement in the accounts payable department, which includes expressing an opinion at the micro level. According to IIA guidance, which of the following statements is true regarding micro-level opinions?
* 1. They are most effective when using a combination of current and prior engagement findings to draw conclusions.
* 2. They typically are based on defined procedures such as those found in an accounts payable reconciliation process.
* 3. They are discrete and not normally shared with senior management or the board.
* 4. They can rely on evidence taken from the work of other assurance activities across the organization.

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

Answer: C

NEW QUESTION 2
- (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 3
- (Topic 1)
Which of the following is the most significant disadvantage of using checklists to evaluate internal controls?

A. They serve as a reminder of what controls should exist in a process.
B. They require yes/no responses to specific questions, not open-ended responses.
C. They do not capture all controls that may exist.
D. They are useful in assessing risk.

Answer: C

NEW QUESTION 4
- (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 5
- (Topic 1)
A staff auditor, nearly finished with an audit engagement, discovers that the director of marketing has a gambling habit. The gambling issue is not directly related to the existing engagement, and there is pressure to complete the current engagement. The auditor notes the problem and forwards the information to the chief audit executive, but performs no further follow-up.
Which of the following statements is true about the auditor's actions?

A. They are in violation of the IIA Code of Ethics because the auditor withheld meaningful information.
B. They are in violation of the Standards because the auditor did not properly follow up on a red flag that might indicate the existence of fraud.
C. They are in violation of neither the IIA Code of Ethics nor the Standards.
D. They are not in violation of the Standards but are in violation of the IIA Code of Ethics.

Answer: C

NEW QUESTION 6
- (Topic 1)
An accounts receivable clerk receives cash payments, posts the payments to customer accounts, and prepares the daily cash deposit.
The clerk has been stealing some cash and manipulating the customer payments to hide the theft.
This fraud could be detected with which of the following controls?

A. Monthly bank reconciliations are performed by the clerk on a timely basis.
B. Total cash deposits for the month are reconciled to the cash receipts journal.
C. Names, amounts, and dates on remittance advices are reconciled with the names, amounts, and dates recorded in the cash receipts journal.
D. Total cash deposits are compared with the bank reconciliation.

Answer: C

NEW QUESTION 7
- (Topic 1)
During an internal audit, an organization's processing department is found to have incidences of both duplicate invoices and notices from customers that purchased goods were not received. The department under review insists that some of these reports are false and that others were isolated oversights due to understaffing.
Which of the following tests would best help the internal auditor detect fraudulent activity?

A. Check inventory levels.
B. Search for gaps in check numbers.
C. Compare vendor summaries.
D. Review raw material purchase quantities.

Answer: A

NEW QUESTION 8
- (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 9
- (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 10
- (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 10
- (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 14
- (Topic 1)
If an engagement client disputes that a specific action or process is within the scope of the internal audit activity, what would be the most appropriate way for the internal audit activity (IAA) to respond?

A. Terminate the audit engagement in full because an operational audit will not be productive without the client's cooperation.
B. Terminate only the specific action or process with which the client disagrees and work to determine a substitute function that will not impede further IAA or the client-audit relationship.
C. Refer the client to the IAA's charter and the approved yearly audit plan, which includes the areas designated for audit in the current time period.
D. Seek the approval of senior management or the board in mediation, allowing an overseer to clarify the scope of the audit engagement for the client.

Answer: C

NEW QUESTION 15

- (Topic 1)
Which of the following statements describes a control failure that is not directly attributable to a customer billing application?
* 1. End users have raised a number of concerns regarding data integrity.
* 2. An untested program change is transferred from the test environment to production.
* 3. Purchase history does not reconcile with accounts receivable for some customers.
* 4. End user security is inadvertently granted to an unauthorized individual by management.

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

Answer: D

NEW QUESTION 18
- (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 23
- (Topic 1)
According to the IIA guidance, who is responsible for periodically assessing the internal audit activity?

A. The board.
B. The chief audit executive.
C. Senior management.
D. The external auditors.

Answer: B

NEW QUESTION 27
- (Topic 1)
Which of the following is a preventive control?

A. Creating an audit trail.
B. Placing controls on physical access to inventory.
C. Reconciling purchase orders with approvals.
D. Reviewing expense accounts for irregularities.

Answer: B

NEW QUESTION 28
- (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 31
- (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 34
- (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 35
- (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 38
- (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 39
- (Topic 1)
Management has asked the chief audit executive (CAE) to provide assurance on the organization's automated control system related to financial data. The current audit staff does not have the expertise needed to conduct this type of engagement. Which of the following would be the best response by the CAE?

A. Accept the assignment and use control self-assessment to complete the project.
B. Do not accept the assignment because the internal audit activity lacks the competency to perform the engagement with due professional care.
C. Accept the assignment and use an external provider with the necessary knowledge and skills to perform the engagement.
D. Accept the assignment if the engagement is included in the current audit plan, but inform senior management that the current audit staff does not have the knowledge and skills required.

Answer: C

NEW QUESTION 41
- (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 44
- (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 45
- (Topic 1)
While attending a conference, an internal auditor won an all-expense paid trip sponsored by a vendor of the internal auditor's organization.
Which of the following actions are most appropriate for the auditor to take?

A. Consult with an immediate supervisor and notify the organization's audit committee.
B. Consult with an immediate supervisor and review the organization's ethics policy.
C. Give the prize to a friend or family member and notitfy the organization's audit committee.
D. Give the prize to a friend or family member and review the organization's ethics policy.

Answer: B

NEW QUESTION 50
- (Topic 1)
Which of the following is a second line of defense in effective risk management and control?

A. Purchasing department.
B. Compliance department.
C. Credit department.
D. Internal audit department.

Answer: B

NEW QUESTION 55
- (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 57
- (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 58
- (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 60
- (Topic 1)
Which of the following does not need to be defined in the internal audit charter?

A. The audit engagements to be performed during the upcoming year.
B. The internal audit activity's position within the organization.
C. The scope of internal audit activities.
D. Management and the board of directors' agreement regarding the roles and responsibilities of the internal audit activity.

Answer: A

NEW QUESTION 65
- (Topic 1)
While reviewing first quarter sales transactions, an internal auditor discovered that 10 invoices for a new customer had not been posted into the accounts receivable subsidiary ledger. Those 10 invoices were listed in an error report automatically generated by the sales processing system. The system had rejected the invoices because the customer's account number was not found in the customer master file. In this scenario, which of the following controls was lacking?

A. Corrective control.
B. Preventive control.
C. Detective control.
D. Directive control.

Answer: A

NEW QUESTION 69
- (Topic 1)
Which of the following would be considered a preventive control?

A. A library control log.
B. A review of exception reports.
C. A password lock on a server.
D. A software scan of financial records for irregularities.

Answer: C

NEW QUESTION 74
- (Topic 1)
A chief audit executive (CAE) of an international charity reports functionally to the audit committee of the board of directors and administratively to the charity's chief financial officer (CFO).
Which of the following would impair the internal audit function's independence?

A. The CFO determines the scope of internal audit work in the accounting department.
B. The CFO manages the accounting of the budget for the internal audit function.
C. The CFO administers the annual evaluation process for the internal auditors.
D. The CFO provides feedback on the CAE's audit reports.

Answer: A

NEW QUESTION 75
- (Topic 1)
Which of the following scenarios exemplifies a potential internal control weakness?

A. The same employee who receives cash from customers prepares a prelisting of cash receipts.
B. The same employee who records cash receipts in the accounts receivable subsidiary ledger ensures that the ledger automatically updates the information.
C. The same employee who restrictively endorses checks received from customers prepares the bank's check deposit slips.
D. The same employee who makes deposits at the bank prepares the monthly bank reconciliation.

Answer: D

NEW QUESTION 79
- (Topic 1)
Which of the following would provide the best guidance to a chief audit executive who is setting internal audit staff requirements?

A. A review of audit staff education and training records.
B. Information about the audit staff size and composition of comparable organizations.
C. Results from discussions of audit needs with executive management and the audit committee.
D. The results of the audit staff's most recent performance reviews.

Answer: C

NEW QUESTION 84
- (Topic 1)
An internal auditor is reviewing employee travel data to identify opportunities to cut costs while ensuring adequate participation at conferences to support the organization's mission. Which of the following pieces of evidence would be sufficient for completing this task?

A. A log from the last year that includes dates of travel, conference titles, and conference objectives, all of which correspond with employee names and costs per trip.
B. A log that includes titles of conferences that all employees were invited to attend in the last year, along with the dates of those conferences and average costs per traveler.
C. A log of conferences titles, dates of travel for each employee, and a detailed summary of conference objectives and how they relate to the organization's mission needs.
D. A log of employee travel requests, which include the title of each conference, the conference objectives, anticipated dates of travel, and estimated costs.

Answer: A

NEW QUESTION 88
- (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 89
- (Topic 1)
The internal audit supervisor is reviewing the workpapers prepared by the staff. According to the Standards, which of the following statements regarding workpaper supervision is not true?

A. Review notes of questions that arise during the review process must be retained.
B. Dating and initialing each workpaper provides evidence of review.
C. Workpaper review allows for staff training and development.
D. Workpapers may be amended during the review process.

Answer: A

NEW QUESTION 91
- (Topic 1)
After being terminated due to downsizing, an internal auditor finds a different job with an organization in the same industry. Which of the following actions would violate the IIA Code of Ethics?

A. To determine audit priorities in the new job, the auditor uses the audit risk approach that the auditor's previous employer used, without receiving permission to do so.
B. At the new organization, the auditor is asked to develop forms to implement probability- proportional-to-size samplin
C. Although unsure of how to perform this type of sampling, the auditor proceeds without asking for assistance.
D. In preparing for an audit at the previous organization, the auditor had conducted a great deal of research on the Internet at home to identify best practices for the management of a treasury functio
E. The auditor has retained much of the research and uses it to conduct an audit of the new employer's treasury function.
F. In the first week at the new organization, the auditor discovers a high fraud risk surrounding the organization's database and suggests that the information technology department implement a new password system to prevent fraudulent actions before they occur.

Answer: B

NEW QUESTION 94
- (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 97
- (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 98
- (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 102
- (Topic 1)
Which of the following activities best reflects the scope and status of the internal audit activity as defined in the internal audit policy statement?

A. The internal auditor reviews the physical access to merchandise during an inventory count.
B. The audit manager conducts an internal quality assessment of the internal audit activity??s adherence to the Standards.
C. The audit manager refrains from assigning an auditor who was a former payroll clerk to conduct a payroll audit.
D. The board approves the annual performance evaluation of the chief audit executive.

Answer: A

NEW QUESTION 106
- (Topic 1)
During the course of an audit, an internal auditor discovers that a valuable employee in the research department has been patenting new developments in the employee's name that are unrelated to the basic business of the organization.
The organization does not have a policy addressing this specific issue, but does have a general policy that all important new discoveries by employees are the property of the organization.
Division management views the employee's actions as extra incentive to retain the employee.
A decision to include the employee's action in the engagement final communication would be:
* 1. A violation of the IIA Code of Ethics.
* 2. A violation of the reporting requirements in the Standards.
* 3. Justified and necessary, according to the IIA Code of Ethics and Standards.

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

Answer: C

NEW QUESTION 109
- (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 114
- (Topic 1)
According to IIA guidance, which of the following statements is true?

A. Risks in IT processes are best mitigated by individual controls.
B. The overall focus of the framework is on significant controls in all critical IT applications.
C. IT risks and related controls are operational and best identified using a bottom-up approach.
D. Control process risks are found at multiple layers of the IT environment.

Answer: D

NEW QUESTION 116
- (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 120
- (Topic 1)
Which of the following is a valid statement about the use of visual observations during an
audit engagement?
* 1. Visual observations can be used to detect ineffective controls, idle resources, and safety hazards.
* 2. Visual observations can be used during both preliminary survey and fieldwork stages of the audit engagement.
* 3. Visual observations can provide unsubstantiated facts to management if the internal auditor believes the information is useful.
* 4. Visual observations can assist an auditor in determining if a material observation should be communicated through informal means to the organization??s senior management.

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

Answer: A

NEW QUESTION 124
- (Topic 2)
Which of the following is the most common way that occupational fraud is detected?

A. Internal audits.
B. Whistleblower hotline.
C. Key controls.
D. External audits.

Answer: B

NEW QUESTION 129
- (Topic 2)
An internal audit team is performing an audit of workplace accident claims.
Which of the following actions by the audit team best demonstrates due professional care?

A. Having an occupational health officer on the engagement team.
B. Determining that the claims have been classified properly.
C. Placing reliance on medical reports from the injured worker's doctor.

D. Reviewing claims to ensure all accidents actually occurred in the workplace.

Answer: A

NEW QUESTION 130
- (Topic 2)
While performing an accounts payable engagement, a senior auditor wants to conduct several tests of controls for travel expenses. Which of the following actions are most appropriate for the senior auditor to undertake?
* 1. Ensure all tests use a random sampling technique.
* 2. Consider a judgmental approach for the sample size.
* 3. Assess testing errors through root cause analysis.
* 4. Ensure that the entire data set is tested.

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

Answer: C

NEW QUESTION 131
- (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 134
- (Topic 2)
According to the COSO enterprise risk management (ERM) framework, which of the following is not part of the new paradigm in ERM?

A. Assessing the risk factors.
B. Aligning risk appetite and strategy.
C. Enhancing risk response decisions.
D. Reducing operational surprises and losses.

Answer: A

NEW QUESTION 139
- (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 143
- (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 145
- (Topic 2)
The chief audit executive (CAE) of a small internal audit activity (IAA) performs all high-risk engagements on the annual audit plan to make use of his knowledge

and experience and to maximize the efficient use of audit resources. Which of the following statements is most relevant regarding this practice?

A. The CAE's work may be reviewed by any other experienced staff member within the IAA.
B. The CAE's work should be reviewed by an individual with the appropriate background and knowledge.
C. The CAE may self-review his work, provided he discloses this practice in the final report.
D. The CAE should avoid performing engagements to ensure he is able to review all audit work objectively.

Answer: B

NEW QUESTION 146
- (Topic 2)
Which of the following is an example of a detective control?

A. Automatic shut-off valve.
B. Auto-correct software functionality.
C. Confirmation with suppliers and vendors.
D. Safety instructions.

Answer: C

NEW QUESTION 149
- (Topic 2)
Who is responsible for setting the risk appetite?

A. External auditors.
B. Chief risk officer.
C. Operations management.
D. Board of directors.

Answer: D

NEW QUESTION 151
- (Topic 2)
Which of the following are generally recognized as essential elements of a corporate social responsibility program?

A. Human rights and the environment.
B. Organizational governance and financial reporting.
C. Fair operating practices and government regulation.
D. Consumer issues and return on investment.

Answer: A

NEW QUESTION 156
- (Topic 2)
Which of the following is not an objective of internal control?

A. Compliance.
B. Accuracy.
C. Efficiency.
D. Validation.

Answer: D

NEW QUESTION 157
- (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 162
- (Topic 2)
According to the COSO internal control framework, which of the following best describes the use of continuous auditing programs by the internal audit activity?

A. Control environment.
B. Control activities.
C. Risk assessment.
D. Monitoring.

Answer: D

NEW QUESTION 166

- (Topic 2)
An internal audit charter should do which of the following?

A. Outline the schedule of future audits.
B. Define the scope of internal audit activities.
C. Establish the size of the internal audit activity.
D. Communicate the internal audit activity's goals.

Answer: B

NEW QUESTION 168
- (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 170
- (Topic 2)
According to IIA guidance, which of the following is ultimately responsible for seeing that the internal control system of an organization's social responsibility program is effective?

A. Senior management.
B. Internal audit activity.
C. All employees.
D. Board of directors.

Answer: D

NEW QUESTION 172
- (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 176
- (Topic 2)
Which of the following control methods is effective in reducing the risk of purchasing- scheme fraud?
* 1. Periodically reviewing the vendor list for unusual vendors and addresses.
* 2. Segregating duties for amount purchasing, receiving, shipping, and accounting.
* 3. Validating sequential integrity of purchase orders.
* 4. Verifying the validity of invoices with post office box addresses.

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

Answer: B

NEW QUESTION 177
- (Topic 2)
According to The IIA's Code of Ethics, which of the following statements is true?

A. When an internal auditor releases required information to a regulator, resulting in a significant loss through fines and penalties for the organization, he fails to add value.
B. When an internal auditor limits the scope of the audit engagement after learning that management is hiding relevant information, he demonstrates integrity.
C. When an internal auditor disagrees with the treatment received by workers in the organization's foreign subsidiary and alters the audit program to highlight the issue, he fails to demonstrate objectivity.
D. When an internal auditor continues with an audit engagement, despite the audit client's claims that the work performed is unnecessary and redundant he fails to demonstrate competency.

Answer: C

NEW QUESTION 180
- (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 181
- (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 186
- (Topic 2)
According to The IIA's Code of Ethics, which of the following actions violates the principle of confidentiality?

A. Accepting a consulting request in the IT department without possessing the requisite experience.
B. Providing personal tax preparation services for a fee for several employees during the lunch hour.
C. Providing a friend with the marketing strategic plan, which she will use to prepare her university thesis.
D. Agreeing to reword an observation to avoid the client complaining directly to the auditor's supervisor.

Answer: C

NEW QUESTION 190
- (Topic 2)
An organization decides to take no action on one of its financial risks because the cost of implementing the control outweighs the value of the asset being protected. Which of the following best describes this risk strategy?

A. Risk avoidance.
B. Risk-benefit analysis.
C. Risk sharing.
D. Risk acceptance.

Answer: D

NEW QUESTION 194
- (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 196
- (Topic 2)
According to IIA guidance, which of the following statements is true regarding the reporting of results from an external quality assessment of the internal audit activity?

A. The external assessment results are reported upon completion in confidence directly to the board, and senior management is advised only of the recommendations and improvement action plans.
B. The results of self-assessments with independent external validation are shared with the board upon completion, and monitoring of recommended improvements must be reported monthly.
C. The external assessment results are communicated upon completion to senior management and the board, but action plans for recommended improvements do not have to be reported.
D. The requirements for reporting quality assessment results are the same for external assessments and self-assessments with independent external validation.

Answer: B

NEW QUESTION 198
- (Topic 2)
Which of the following is a common type of payroll fraud?

A. Unauthorized overtime.
B. Fictitious employees.
C. Unearned bonuses or commissions.
D. Skimming.

Answer: B

NEW QUESTION 202
- (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 204
- (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 207
- (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 209
- (Topic 2)
Which of the following enhances the independence of the internal audit activity?

A. The chief audit executive (CAE) approves the annual internal audit plan.
B. The CAE administratively reports to the board.
C. The audit committee approves the CAE's annual salary increase.
D. The chief executive officer approves the internal audit charter.

Answer: C

NEW QUESTION 211
- (Topic 2)
What is the primary benefit to the internal audit activity for undertaking an internal quality assessment?

A. To help the internal audit activity complete its annual assurance plan.
B. To identify inefficiencies within the internal audit team.
C. To help improve the overall quality of the internal audit activity's work.
D. To identify key risks and areas of concern within the organization.

Answer: C

NEW QUESTION 215
- (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 217
- (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 221
- (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 225
- (Topic 2)
Which of the following factors should be considered when determining the appropriate combination of manual techniques and computer-assisted audit techniques (CAATs) to be used during an audit?
* 1. Acceptance of CAATs findings by entity management.
* 2. Computer knowledge and expertise of the auditor.
* 3. Time constraints.
* 4. Level of audit risk.

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

Answer: D

NEW QUESTION 229
- (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 230
- (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 235
- (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 239
- (Topic 2)
Faced with a complex, highly technical construction audit engagement, the chief audit executive (CAE) considered complementing the current internal audit resources by engaging the services of a civil engineer.
Which of the following should the CAE consider in determining whether the engineer possesses the necessary skills to perform the engagement?
* 1. Professional certification, license, or other recognition of the engineer's competence in the relevant discipline.
* 2. Experience of the engineer in the type of work being considered.
* 3. Compensation or other incentives that the engineer may receive.
* 4. The extent of other ongoing services that the engineer may be performing for the organization.

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

Answer: D

NEW QUESTION 243
- (Topic 2)
According to IIA guidance, which of the following is not a responsibility of the chief audit executive pertaining to documenting information to support internal audit engagement results and conclusions?

A. Rating each engagement record to assess its relevance and accessibility for the organization's board.
B. Controlling access to engagement records, including access by senior management.
C. Developing retention requirements for engagement records that are consistent with organizational guidelines.
D. Forming policies governing the custody and retention of consulting engagement records before their release to other parties.

Answer: A

NEW QUESTION 245
- (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 248
- (Topic 2)
When auditing the award of a major contract, which of the following should an internal auditor suspect as a red flag for a bidding fraud scheme?
* 1. Subsequent change orders increase requirements for low-bid items.
* 2. Material contract requirements are different on the actual contract than on the request for bids.
* 3. A high percentage of employees are charged to indirect accounts.
* 4. Losing bidders are hired as subcontractors.

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

Answer: D

NEW QUESTION 250
- (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 255
- (Topic 2)
During an audit, the client questions the internal audit activity's authority to perform procedures over fraud allegations. According to HA 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 257
- (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 259
- (Topic 2)
Which of the following is considered a violation of The IIA's Code of Ethics?

A. An auditor conveys public information about an organization's financial condition.
B. An auditor reports a manager's illegal activity to senior management, rather than reporting the incident to the appropriate external authority.
C. An auditor receives allegations of fraud from a whistleblower and immediately reportsthe allegations to senior management.
D. An auditor reports material deficiencies, despite the fact that management is already aware of the defects.

Answer: C

NEW QUESTION 262
- (Topic 2)
Which of the following is a requirement for an assurance engagement that may not be for a consulting engagement?

A. The internal audit activity has to ensure team members' objectivity is not impaired.
B. Auditors cannot participate in an assurance engagement of a function for which they previously performed a consulting engagement.
C. The scope and objective of the engagement is agreed upon based on the engagement client's needs.
D. The internal audit activity must ensure management actions have been implemented effectively or risk accepted.

Answer: B

NEW QUESTION 265
- (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 266
- (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 267
- (Topic 2)
A medical insurance provider uses an electronic claims-submission process and suspects that a number of physicians have submitted claims for treatments that were not performed. Which of the following control procedures would be most effective to detect this type of fraud?

A. Require the physician to submit a signed statement attesting that the treatments had been performed.
B. Send confirmations to the physicians, requesting them to verify the exact nature of the claims submitted to the insurance provider.
C. Develop an integrated test facility and submit false claims to verify that the system is detecting such claims on a consistent basis.

D. Use computer software to identify abnormal claims based on the insured's age and medical history.

Answer: D

NEW QUESTION 269
- (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 270
- (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 271
- (Topic 2)
A government agency maintains a system of internal control, according to the COSO model, and has made a change to its employee performance reviews and rewards program. This change relates to which of the following components of COSO's internal control framework?

A. Control environment.
B. Control activities.
C. Information and communication.
D. Monitoring activities.

Answer: A

NEW QUESTION 276
- (Topic 2)
Evidence discovered during the course of an engagement suggests that multiple incidents of fraud have occurred. There do not appear to be sufficient controls in place to prevent reoccurrence. Which of the following is the internal auditor's most appropriate next step?

A. Immediately notify management of the area under review and the other internal auditors involved in the engagement.
B. Discuss the situation with the engagement supervisor to determine whether fraud investigation experts are required to investigate the matter properly.
C. Fully document in the workpapers the evidence that has been discovered and recommend appropriate controls to address the fraud.
D. Provide the evidence that was discovered to local law enforcement for possible prosecution of the suspected fraud.

Answer: A

NEW QUESTION 280
- (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 282
- (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 287
- (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 289
- (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 290
- (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 293
- (Topic 2)
An internal audit activity includes in its audit reports the assertion that its work is performed in conformance with the International Standards for the Professional Practice of Internal Auditing {Standards). A recent external quality assessment concluded that the internal audit activity had substantial deficiencies that impact its overall operations. According to IIA guidance, which of the following is the most appropriate action for issuing future audit reports?

A. Refrain from indicating that the internal audit activity operates in conformance with the Standards until the chief audit executive confirms that the internal audit activity has addressed all areas of nonconformance and the audit committee has been notified.
B. Refrain from indicating that the internal audit activity operates in conformance with the Standards until another external assessment confirms that the significant areas of nonconformance have been addressed.
C. Indicate that the internal audit activity operates in partial conformance with the Standards, as the internal audit activity has a quality assurance and improvement program in place to address deficiencies and has met the requirement for conducting an external assessment.
D. Update and reissue previous audit reports, removing the assertion that the internal audit activity operates in conformance with the Standards, and distribute them to all parties who received the original reports.

Answer: B

NEW QUESTION 296
- (Topic 2)
According to IIA guidance, which of the following is least compliant with the requirements regarding an internal auditor's need for objectivity?

A. An internal auditor assessed the effectiveness of controls over payroll software, which he had helped implement with a previous employer.
B. An internal auditor participated in an audit of controls around absenteeism, despite providing some consultation on controls in this area earlier in the year.
C. An internal auditor performed an assurance engagement for the effectiveness of accounts payable access controls, one of which he previously helped to design.
D. An internal auditor, previously employed in the quality assurance operations area, performed a consulting engagement for the operations manager.

Answer: C

NEW QUESTION 298
- (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 303
- (Topic 2)
A headquarters-based internal auditor has been sent to a major overseas subsidiary to conduct various engagements. Initially, the internal auditor spends time to become familiar with local customs and organization's practices while embarking on the first engagement. Which of the following competencies does the internal auditor exercise?

A. Communication.
B. Persuasion and collaboration.
C. Business acumen.
D. Governance, risk, and control.

Answer: A

NEW QUESTION 308
- (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 312
- (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 315
- (Topic 2)
Which of the following types of social responsibilities is voluntary and guided purely by the organization's desire to make social contributions?

A. The bottom of the pyramid responsibility.
B. Innovative responsibility.
C. Ethical responsibility.
D. Discretionary responsibility.

Answer: C

NEW QUESTION 316
- (Topic 2)
Which of the following activities should the chief audit executive perform to ensure compliance with an organization's code of conduct?

A. Act as an adviser to the committee responsible for reviewing violations of the code.
B. Review and adjudicate all violations of the code of conduct.
C. Lead the committee responsible for the oversight of the code.
D. Implement a system of procedures to inform all employees of the code.

Answer: A

NEW QUESTION 321
- (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 326
- (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 328
- (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 333
- (Topic 2)
According to IIA guidance, which of the following must the internal auditor consider to meet the requirements for due professional care?

A. The training courses necessary to enhance the internal auditor's knowledge, skills, and other competencies.
B. The appropriateness of assurance procedures necessary to ensure all significant risks will be identified.
C. The use of innovative technology and data analysis techniques.
D. The extent of work needed to achieve the engagement??s objectives.

Answer: D

NEW QUESTION 336
- (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 341
- (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 343
- (Topic 2)
A new internal audit activity is creating its first charter. According to IIA guidance, which of the following objectives would be appropriate for inclusion in the charter?

A. Continuously monitor the organization's overall risk activities in relation to its risk appetite.
B. Evaluate the adequacy and effectiveness of the organization's governance activities.
C. Oversee the establishment and administration of an effective risk management program.
D. Assist management in implementing recommended control improvements.

Answer: C

NEW QUESTION 348

- (Topic 2)
An auditor identifies three errors in the sample of 25 entries selected for review (a 12 percent error rate). Based on this result, the auditor assumes that approximately 59 of the total population of 492 entries are incorrect. To reach this assumption, the auditor has used a technique known as which of the following?

A. Variability tolerance.
B. Ratio estimation.
C. Stratification.
D. Acceptance sampling.

Answer: B

NEW QUESTION 353
- (Topic 2)
Which of the following types of fraud includes embezzlement?

A. Fraudulent statements.
B. Bribery.
C. Misappropriation of assets.
D. Corruption.

Answer: C

NEW QUESTION 356
- (Topic 2)
A fraud investigation was completed by management, and a proven fraud was communicated to relevant authorities. According to MA guidance, which of the following roles would be most appropriate for the internal audit activity to undertake after the investigation?

A. Plan employee sessions and team building strategies for the organization to improve awareness of fraud among employees.
B. Review the investigation and implement any improvements to the process.
C. Conduct lessons learned sessions to ascertain how the fraud occurred and which controls failed.
D. Determine why The fraud was not detected earlier and design controls to strengthen early detection.

Answer: C

NEW QUESTION 357
- (Topic 2)
Which of the following offers the best evidence that the internal audit activity has achieved organizational independence?

A. An independent third party has assessed the organization's system of internal controls to be adequate and effective.
B. The chief audit executive reports both functionally and administratively to the CEO.
C. The internal audit charter is drafted properly and approved by the appropriate parties.
D. The mission statement and strategy of the internal audit activity demonstrates alignment to organizational objectives.

Answer: B

NEW QUESTION 361
- (Topic 2)
The security department uncovered what appears to be a complex fraud in the accounting department. The CEO has requested the internal audit activity to investigate the fraud. If the internal audit staff lacks the expertise to conduct the investigation, how should the chief audit executive proceed?

A. Disclose the deficiency, and request that the investigation be reassigned to the first line of defense.
B. Proceed with the investigation, as internal auditors are not required to have fraud expertise.
C. Outsource the sensitive investigation to a third-party consultant with fraud expertise.
D. Select a member of the accounting department who is not involved in the fraud to join the investigation team in a consulting capacity.

Answer: C

NEW QUESTION 366
- (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 369
- (Topic 2)
Which of the following combinations of conditions is most likely a red flag for fraud?

A. The practice of surprise audits and the implementation of an employee support program.

B. Hiring an employee with a prior fraud conviction and yearly management review.
C. Occasional accounting department overrides and discontinuation of the anonymous fraud hotline due to infrequent use.
D. A veteran employee in upper management experiencing financial difficulties and recently implemented enhanced controls.

Answer: C

NEW QUESTION 371
- (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 374
- (Topic 2)
A new director was hired to lead the internal audit activity at a small start-up company. Which of the following assignments would impair the director's independence?

A. Preparing the financial statements for the company's defined contribution plan.
B. Performing a pre-implementation review of the company's payroll application.
C. Providing the COBIT framework as a possible IT management tool.
D. Reviewing the company's policy for foreign currency translation adjustments for compliance with accounting standards.

Answer: A

NEW QUESTION 377
- (Topic 2)
As a matter of policy, the chief audit executive routinely rotates internal audit staff assignments and periodically interviews the staff to discuss the potential for conflicts of interest. These actions help fulfill which of the following internal audit mandates?

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

Answer: B

NEW QUESTION 382
- (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 386
- (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 390
- (Topic 2)
Which of the following would be the most important consideration by the internal audit activity when selecting employees to perform an internal quality assessment?

A. Their understanding of auditing standards.
B. Previous experience working with the internal audit activity.
C. Their reporting line within the organization.
D. The nature of their regular duties and responsibilities.

Answer: A

NEW QUESTION 394
- (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 395
- (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 399
- (Topic 2)
An internal audit activity is using the auditing-by-element approach to audit the organization's controls around corporate social responsibility. Which of the following would be an element for the internal audit activity to consider?

A. Working conditions.
B. Employees' families.
C. Marketplace competition.
D. Shareholders and investors.

Answer: B

NEW QUESTION 403
......

Thank You for Trying Our Product

We offer two products:

1st - We have Practice Tests Software with Actual Exam Questions

2nd - Questons and Answers in PDF Format

IIA-CRMA-ADV Practice Exam Features:

* IIA-CRMA-ADV Questions and Answers Updated Frequently

* IIA-CRMA-ADV Practice Questions Verified by Expert Senior Certified Staff

* IIA-CRMA-ADV Most Realistic Questions that Guarantee you a Pass on Your FirstTry

* IIA-CRMA-ADV Practice Test Questions in Multiple Choice Formats and Updatesfor 1 Year

100% Actual & Verified — Instant Download, Please Click
Order The IIA-CRMA-ADV Practice Test Here