

# 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)

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 3

- (Topic 1)

Which of the following best ensures an internal audit activity has the ability to render impartial and unbiased assessments?

- A. Organizational status and objectivity.
- B. Supervision of the chief audit executive (CAE) by senior management.
- C. Organizational knowledge and skills.
- D. CAE certification.

**Answer: A**

#### NEW QUESTION 4

- (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 5

- (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 6

- (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 7

- (Topic 1)

Which of the following are components of the COSO enterprise risk management framework?

- \* 1. Objective setting.
- \* 2. External environment.
- \* 3. Data collection.
- \* 4. Control activities.

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

**Answer: B**

#### **NEW QUESTION 8**

- (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 9**

- (Topic 1)

Which of the following audit procedures would provide the most relevant information to identify discrepancies between budgeted versus actual raw material consumption in a production facility?

- A. Analytical review.
- B. Inquiry.
- C. Document verification.
- D. Observation.

**Answer: A**

#### **NEW QUESTION 10**

- (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 10**

- (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 14**

- (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 15**

- (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 19**

- (Topic 1)

When internal auditors are preparing workpapers for the testing stage of an engagement, which of the following guidelines should be observed?

- \* 1. Include copies of all client files that were reviewed for the audit.
- \* 2. Avoid the use of professional, industry-appropriate jargon and technical terms.
- \* 3. Indicate the original sources of all data and information used in the workpapers.
- \* 4. Leave blank space for cross-references to be completed during the post-audit process.

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

**Answer: C**

**NEW QUESTION 21**

- (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 25**

- (Topic 1)

According to IIA guidance, which of the following objectives of an assurance engagement for the organization's risk management process is valid?

- A. All risks have been identified and mitigated.
- B. Risks have been accurately analyzed and evaluated.
- C. All controls are both adequate and efficient.
- D. The board is appropriately addressing intolerable risks.

**Answer: B**

**NEW QUESTION 29**

- (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 30**

- (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 34**

- (Topic 1)

Which of the following best describes the assessment of risks?

- A. Assess the actions necessary to reduce the likelihood and/or impact of risk to tolerable levels.
- B. Assess the likelihood and/or impact of risk on the achievement of organizational objectives.
- C. Assess the amount of risk an organization can accept while pursuing its objectives.
- D. Assess alternative strategies to reduce or eliminate major risks.

**Answer: B**

**NEW QUESTION 35**

- (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 38**

- (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 40**

- (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 45**

- (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 46**

- (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 47**

- (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 52**

- (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 53**

- (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 55**

- (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 57**

- (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 60**

- (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 63**

- (Topic 1)

Which of the following is not one of the 10 core competencies identified in the IIA Competency Framework?

- A. Governance, risk, and control.
- B. Performance management.
- C. Business acumen.
- D. Internal audit delivery.

**Answer: B**

**NEW QUESTION 64**

- (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 67**

- (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 71**

- (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 75**

- (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 77**

- (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 82**

- (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 makes a series of observations when performing an analytical review of division operations. The auditor notes the following things: the current ratio is increasing and the quick ratio is decreasing, sales and current liabilities have remained constant, and the number of day sales in inventory is increasing.

Which conclusion should the auditor draw from this data?

- A. Cash or accounts receivable has decreased.
- B. The gross margin has decreased.
- C. The division produced fewer items this year than in prior years.
- D. The gross margin has increased.

**Answer:** A

#### **NEW QUESTION 88**

- (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 93**

- (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 96**

- (Topic 1)

Management of a publicly-held organization requires the internal audit activity to be involved with quarterly financial statements, which are made public and used internally. Which of the following explanations of management's decision is least plausible?

- A. Management may be concerned about its reputation in the financial markets.
- B. Management is following best-practice protocol, as stipulated by the Standards, which states that internal auditors must review quarterly financial statements.
- C. Management may be concerned about potential penalties that could occur if quarterly financial statements are misstated.
- D. Management may perceive that having quarterly financial information examined by the internal auditors enhances the information's value to internal decision making.

**Answer:** B

#### **NEW QUESTION 100**

- (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 sampling.
- 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 function.
- 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 101**

- (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 102**

- (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 106**

- (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 107**

- (Topic 1)

The last quality assessment of the internal audit activity identified three areas for improvement: the achievement of audit engagement objectives, quality of work, and staff development. According to IIA guidance, which of the following should be the chief audit executive's primary focus to achieve these recommended improvements?

- A. Demonstrated compliance with procedures.
- B. Due professional care.
- C. Engagement supervision.
- D. Employment of tools and techniques.

**Answer: C**

#### **NEW QUESTION 108**

- (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 109**

- (Topic 1)

An internal auditor notes that employees are able to download files from the internet. According to IIA guidance, which of the following strategies would best protect the organization from the risk of copyright infringement and licensing violations resulting from this practice?

- A. Apply antivirus and patch management software.
- B. Utilize dedicated and encrypted network connections.
- C. Install a software inventory management application.
- D. Utilize secure socket layer encryption.

**Answer: C**

#### **NEW QUESTION 112**

- (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 117**

- (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 120**

- (Topic 2)

Which of the following is the primary engagement responsibility of an entry-level internal auditor?

- A. Leadership.
- B. Documentation.
- C. Analysis.
- D. Reporting.

**Answer: C**

#### **NEW QUESTION 124**

- (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 128**

- (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 132**

- (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 137**

- (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 138**

- (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)

What should the internal auditor's role be in assessing the organization's ethical climate?

- A. Perform ongoing surveys of the employees, customers, and partners of the organization to assess the organization's ethical climate.
- B. Evaluate the effectiveness of the organization's strategies and processes for achieving the desired level of legal and ethical compliance.
- C. Maintain a whistleblower hotline to identify inappropriate or illegal activity within the organization.
- D. Perform background checks of potential new employees before they are hired by the organization.

**Answer: B**

**NEW QUESTION 143**

- (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 147**

- (Topic 2)

Given the highly technical and legal nature of privacy issues, which of the following statements best describes the internal audit activity's responsibility with regard to assessing an organization's privacy framework?

- A. If an organization does not have a mature privacy framework, the internal audit activity should assist in developing and implementing an appropriate privacy framework.
- B. Because the audit committee is ultimately responsible for ensuring that appropriate control processes are in place to mitigate risks associated with personal information, the internal audit activity is required to conduct privacy assessments.
- C. The internal audit activity may delegate to nonaudit IT specialists the responsibility of determining whether personal information has been secured adequately and data protection controls are sufficient.
- D. The internal audit activity should have appropriate knowledge and competence to conduct an assessment of the organization's privacy framework.

**Answer: D**

**NEW QUESTION 150**

- (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 153**

- (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 155**

- (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 157**

- (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 162**

- (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 163**

- (Topic 2)

According to IIA guidance, which of the following describes the primary reason to implement environmental and social safeguards within an organization?

- A. To enable Triple Bottom Line reporting capability.
- B. To facilitate the conduct of risk assessment.
- C. To achieve and maintain sustainable development.
- D. To fulfill regulatory and compliance requirements.

**Answer:** C

**NEW QUESTION 164**

- (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 166**

- (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 171**

- (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 174**

- (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 179**

- (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 183**

- (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 186**

- (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 191**

- (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 196**

- (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 200**

- (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 203**

- (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 206**

- (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 209**

- (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 212**

- (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 216**

- (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 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 219**

- (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 222**

- (Topic 2)

Management is developing and implementing a risk and control framework for use throughout the organization. Which of the following elements should be included in the organization's control framework?

- \* 1. Appropriate levels of authority and responsibility.
- \* 2. Supervision of staff and appropriate review of work.
- \* 3. The seniority of management in the organization.
- \* 4. The ability to trace each transaction to an accountable and responsible individual.

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

**Answer: D**

#### **NEW QUESTION 226**

- (Topic 2)

An organization is beginning to implement an enterprise risk management program. One of the first steps is to develop a common risk language. Which of the following statements about a common risk language is true?

- A. Management will be able to reduce inherent risk because they will have a better understanding of risk.
- B. Internal auditors will be able to reduce their sample sizes because controls will be more consistent.
- C. Stakeholders will have more assurance that the risks are assessed consistently.
- D. Decision makers will understand that the likelihood of missing or ineffective controls will be reduced.

**Answer: C**

#### **NEW QUESTION 230**

- (Topic 2)

Which of the following would not be considered part of preliminary survey of an engagement area?

- A. Interviews with individuals affected by the entity.
- B. Functional walk through test.
- C. Analytical reviews.
- D. Sampling scope.

**Answer: D**

#### **NEW QUESTION 232**

- (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 233**

- (Topic 2)

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

- A. The internal audit activity's responsibility for imposing risk management processes.
- B. The internal audit activity's responsibility for the organization's governance framework.
- C. The nature of consulting services provided by the internal audit activity.
- D. The budgeting process for the internal audit activity.

**Answer: C**

#### **NEW QUESTION 236**

- (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 237**

- (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 238**

- (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 243**

- (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 244**

- (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 248**

- (Topic 2)

Internal auditors must exercise due professional care by considering which of the following?

- \* 1. Cost of assurance in relation to potential benefits.
- \* 2. Adequacy and effectiveness of governance, risk management, and control processes.
- \* 3. Management's competency level in the area being evaluated.
- \* 4. Probability of significant errors, fraud, or noncompliance.

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

**Answer: C**

**NEW QUESTION 252**

- (Topic 2)

Which of the following is an example of a management control technique?

- A. A budget.
- B. A risk assessment.
- C. The board of directors.
- D. The control environment.

**Answer:** A

**NEW QUESTION 255**

- (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 258**

- (Topic 2)

Which of the following statements describes impairment to the internal auditor's objectivity?

- A. An internal auditor reviews a purchasing agent's contract drafts prior to their execution.
- B. An internal auditor reduces the scope of an audit engagement due to budget restrictions.
- C. An internal auditor receives a promotional gift that is available to the organization's employees.
- D. An internal auditor performs an assessment of the operations for which he was recently responsible.

**Answer:** D

**NEW QUESTION 262**

- (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 265**

- (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 266**

- (Topic 2)

Management would like to self-assess the overall effectiveness of the controls in place for its 200-person manufacturing department. Which of the following client-facilitated approaches is likely to be the most efficient way to accomplish this objective?

- A. Workshops.
- B. Surveys.
- C. Interviews.
- D. Observation.

**Answer:** B

**NEW QUESTION 271**

- (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 275**

- (Topic 2)

According to the COSO enterprise risk management framework, which of the following best describes the activity that helps ensure risk responses are carried out effectively?

- A. Objective setting.
- B. Control activities.
- C. Information and communication.
- D. Event identification.

**Answer: B**

**NEW QUESTION 279**

- (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 282**

- (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 283**

- (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 285**

- (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 290**

- (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 295**

- (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 296**

- (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 300**

- (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 303**

- (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 308**

- (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 313**

- (Topic 2)

If appropriate safeguards exist, which of the following is considered a legitimate internal audit role within risk management at an organization?

- A. Imposing risk management processes.
- B. Providing consolidated reporting on risks.
- C. Taking accountability for risk management.
- D. Making decisions on risk responses.

**Answer: B**

**NEW QUESTION 316**

- (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 317**

- (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 321**

- (Topic 2)

According to IIA guidance, which of the following best describes internal auditors' responsibility regarding fraud?

- A. Internal auditors should take a leading role in investigating all fraud-related cases.
- B. Internal auditors must have sufficient knowledge to evaluate the risk of fraud.
- C. Internal auditors should report all fraud cases to law enforcement agents, in accordance with the Code of Ethics.
- D. Internal auditors are responsible for ensuring that fraud does not occur.

**Answer: B**

**NEW QUESTION 323**

- (Topic 2)

Which of the following options is the most cost-effective and efficient way for internal auditors to keep current with the latest developments in the internal audit profession?

- A. Attending annual professional conferences and seminars.
- B. Participating in on-the-job training in various departments of the organization.
- C. Pursuing as many professional certifications as possible.
- D. Maintaining membership in The IIA and similar professional organizations and subscribing to relevant email updates or news feeds.

**Answer: D**

**NEW QUESTION 327**

- (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 332**

- (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 335**

- (Topic 2)

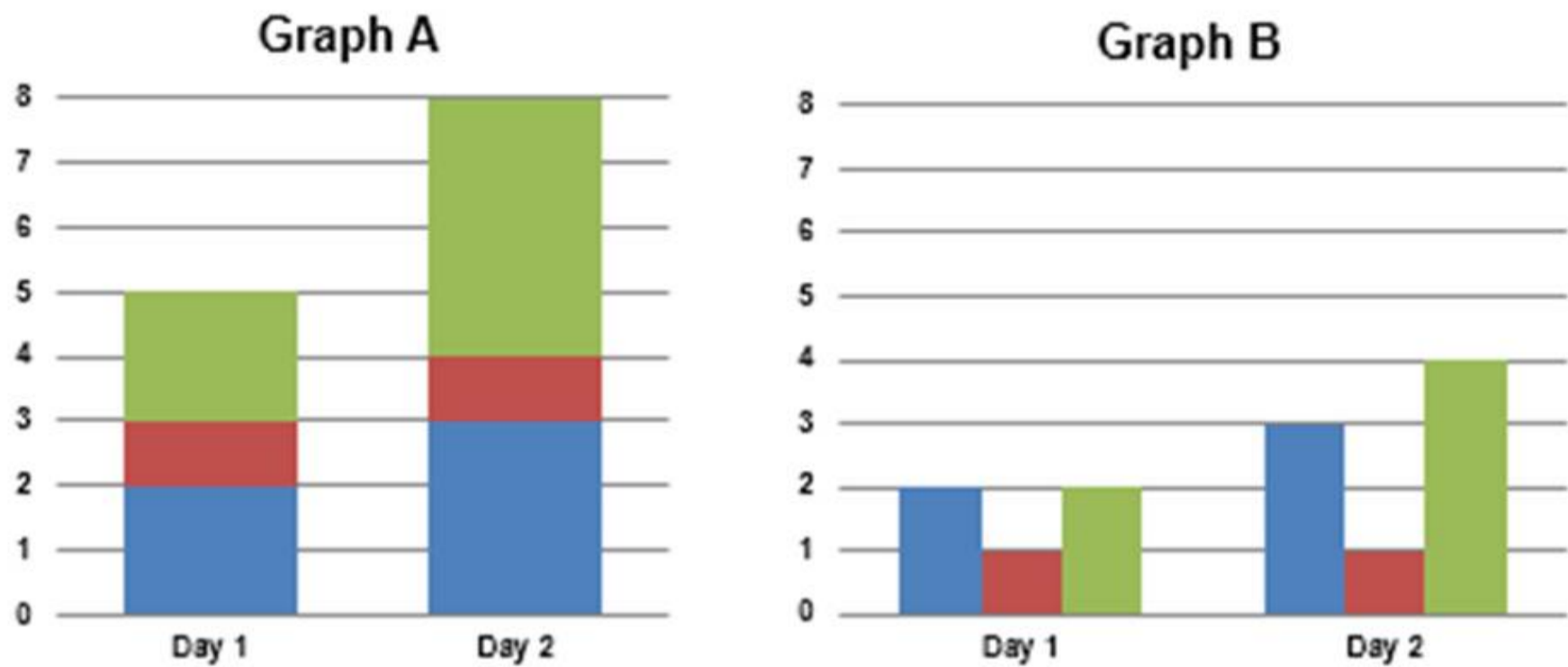
Which of the following types of fraud includes embezzlement?

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

Answer: C

**NEW QUESTION 337**

- (Topic 2)  
 Click the Exhibit.



Internal auditors are asked to keep track of how many hours per day they spend planning the audit, conducting the engagement, and writing the audit report. The data for two days has been collected as follows:

- Day 1
- Day 2
- Planning the audit 2 hours
- 3 hours
- Conducting the engagement 1 hour
- 1 hour
- Writing the audit report 2 hours
- 4 hours

Which of the following graphs depicts the data accurately?

- A. Graph A only
- B. Graph B only
- C. Both A and B.
- D. Neither A nor B.

Answer: C

**NEW QUESTION 342**

- (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 343**

- (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 348**

- (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 349**

- (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 351**

- (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 356**

- (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 357**

- (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 361**

- (Topic 2)

Which two of the following are preventive controls in a check disbursement process?

- \* 1. Daily reconciliation of the bank account used for check disbursements and prompt follow-up of un-reconciled items.
- \* 2. Segregation of the following duties: establishing new vendors, approving checks, and reconciling the bank account.
- \* 3. An activity report detailing who accesses the check disbursement system and the nature of any action taken in the system.
- \* 4. Evidence of strong access controls ensuring that authorized individuals have access only to the functions related to their responsibilities.

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

**Answer: D**

**NEW QUESTION 364**

- (Topic 2)

Which of the following is most likely to be considered a control weakness?

- A. Vendor invoice payment requests are accompanied by a purchase order and receiving report.
- B. Purchase orders are typed by the purchasing department using prenumbered forms.
- C. Buyers promptly update the official vendor listing as new supplier sources become known.
- D. Department managers initiate purchase requests that must be approved by the plant superintendent.

**Answer: C**

**NEW QUESTION 368**

- (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 369**

- (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 372**

- (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 377**

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