IIA.IIA-CRMA.v2024-06-15.q102

Exam Code:	IIA-CRMA
Exam Name:	Certification in Risk Management Assurance (CRMA) Exam
Certification Provider:	IIA
Free Question Number:	102
Version:	v2024-06-15
# of views:	2358
# of Questions views:	1020
https://www.freepdfdumps.com/IIA.IIA-CRMA.v2024-06-15.q102.html	

NEW QUESTION: 1
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 maintain objectivity while performing 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 determine the objectives, scope, and techniques of the engagement.
D. The assigned internal auditor must not assume management responsibilities while performing the engagement.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 2
According to IIA guidance, which of the following statements describes one of the similarities between assurance and consulting services?
A. Both assurance and consulting services generally involve the internal auditor, the area under review, senior management, and the board.
B. Internal auditors must not provide assurance or consulting services for an activity for which they had responsibility within the previous year.
C. Internal auditors determine the engagement objectives, scope, and work program for both assurance and consulting services.
D. When planning assurance and consulting engagements, internal auditors must consider the strategies and objectives of the activity being reviewed.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 3
If appropriate safeguards exist, which of the following is considered a legitimate internal audit role within risk management at an organization?
A. Providing consolidated reporting on risks.
B. Imposing risk management processes.
C. Making decisions on risk responses.
D. Taking accountability for risk management.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 4
Which of the following describes a key characteristic related to effective organizational communication?
A. Unique operating environments with varying complexity.
B. A culture of integrity and transparency.
C. A well-designed system of internal controls.
D. Comprehensive supervisory and verification procedures.
Answer: (SHOW ANSWER)

NEW QUESTION: 5
According to IIA guidance, which of the following statements is true regarding periodic internal assessments of the internal audit activity?
A. Internal assessments must be performed at least once every five years by a qualified assessor.
B. Follow-up to ensure appropriate improvements are implemented is a recommended, but not mandatory, element of internal assessments.
C. Internal assessments are conducted to benchmark the internal audit activity's performance against industry best practices.
D. 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.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 6
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 the external auditors.
B. Senior management and management of the audited area.
C. Senior management and the external auditors.
D. The audit committee and senior management.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 7

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. Internal audit charter.
B. The IIA's Code of Ethics.
C. Definition of Internal Auditing.
D. MA Standards.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 8
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. Total cash deposits are compared with the bank reconciliation.
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. Monthly bank reconciliations are performed by the clerk on a timely basis.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 9
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. Move the CAE's functional reporting to the audit committee.
B. Obtain full board approval of the internal audit activity's annual audit plan.
C. Move the CAE's functional reporting to an executive who is not on the board.
D. Appoint the CAE as a member of the board.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 10
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. 1.2. 4. and 5 only.
B. 1.2, and 3 only.
C. 2. 3. 4. and 5 only.
D. 4 and 5 only.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 11
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. A review of the employees' sports club finances, which are overseen by the chief audit executive.
B. An assurance review for a sales program on which she previously provided consultation.
C. A consulting engagement related to a new accounts payable optimization initiative.
D. An operations audit of the accounts payable department.
Answer: (SHOW ANSWER)

NEW QUESTION: 12
Which of the following conditions is the most likely indicator of fraud?
A. Lower earnings occur during the industry's down cycle.
B. Commissions are paid based on verified increases to sales.
C. A manager regularly assumes subordinates' duties.
D. Departmental reports are consistently issued in an untimely manner.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 13
Which of the following statements is true regarding assurance services provided to clients outside of the organization?
A. The nature of assurance services for outside clients is the same as for internal clients.
B. Assurance services for outside clients must be approved on a case-by-case basis by the board of directors.
C. Assurance services for outside clients are not covered under the internal audit charter.
D. The nature of assurance services for outside clients should be defined in the internal audit charter.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 14
Which of the following would most likely be considered a red flag for fraud?

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

NEW QUESTION: 15
In which of the following scenarios would the chief audit executive (CAE) be required to decline the assignment?
A. There is no available expertise on the internal audit team to perform a consulting engagement.
B. There is no expertise within the internal audit team for detecting and investigating fraud.
C. The CAE would need to procure external services to deliver the internal audit assurance program.
D. There is no expertise within the internal audit team for auditing an IT engagement.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 16
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 changes in the organization may impair the internal audit activity's ability to meet its objectives.
B. Because management requires the review to measure effectiveness of the internal audit activity.
C. So that there is assurance of the internal audit staff's proficiency to complete audit activities.
D. So that the individual objectivity of the internal audit staff can be more clearly established.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 17
A manufacturing organization discovers that the waste water released has failed to meet permitted limits.
Which control function will be least effective in correcting the issue?
A. Posting signs that tell employees which substances may be disposed of via sinks and floor drains within the facility.
B. Diluting pollutants by flushing sinks and floor drains daily with large volumes of clean water.
C. Establishing a preventive maintenance program for the pretreatment system.
D. Performing a chemical analysis of the water, prior to discharge, for components specified in the permit.
Answer: (SHOW ANSWER)

NEW QUESTION: 18
Which of the following is not an objective of internal control?
A. Validation.
B. Compliance.
C. Efficiency.
D. Accuracy.
Answer: (SHOW ANSWER)

NEW QUESTION: 19
What is the purpose of a secondary control?
A. It partially reduces the residual risk level when a key control does not operate effectively.
B. It helps to ensure the completeness and accuracy of automated controls in a system environment.
C. It replaces primary controls that are either ineffective or cannot fully mitigate a risk.
D. It combines with other controls to help reduce significant risk exposures to an acceptable level.
Answer: (SHOW ANSWER)

NEW QUESTION: 20
Which of the following types of social responsibilities is voluntary and guided purely by the organization's desire to make social contributions?
A. Ethical responsibility.
B. Discretionary responsibility.
C. Innovative responsibility.

D. The bottom of the pyramid responsibility.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 21
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. 3 and 4.
C. 4 only.
D. 2 and 4.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 22
According to IIA guidance, which of the following must the internal auditor consider to meet the requirements for due professional care?
A. The use of innovative technology and data analysis techniques.
B. The training courses necessary to enhance the internal auditor's knowledge, skills, and other competencies.
C. The extent of work needed to achieve the engagement's objectives.
D. The appropriateness of assurance procedures necessary to ensure all significant risks will be identified.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 23
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. 1, 2, and 3
B. 1 and 2 only

C. 3 only
D. 2 and 3 only
Answer: D (LEAVE A REPLY)

NEW QUESTION: 24
Which of the following professional development approaches would offer internal auditors the most opportunities to broaden their engagement experiences?
A. Appraise internal auditors' performance and competencies at least annually and issue constructive feedback.
B. Send internal auditors to external trainings in advanced internal audit topics.
C. Assign more experienced internal auditors to mentor the less experienced auditors.
D. Rotate internal auditors among different engagement assignments.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 25
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. Utilize secure socket layer encryption.
B. Utilize dedicated and encrypted network connections.
C. Apply antivirus and patch management software.
D. Install a software inventory management application.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 26
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. Contract with a third-party entity or external auditor to complete the assessment and report the results to senior management and the board.
B. Have a proficient internal audit staff member perform the assessment and disclose the impairment in the audit report and to the board.
C. Have a regulatory compliance staff member perform a self-assessment, to be reviewed by a proficient internal auditor.
D. Have a proficient internal audit staff member perform the audit and report the results of the assessment directly to senior management and the board.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 27

An internal auditor for a large retail chain suspects that a store manager has been stealing money from cash sales by listing the sales as accounts receivable and then writing off the accounts as bad debts. Which of the following irregularities is the most likely cause of the auditor's suspicion?
A. A much higher percentage of past-due accounts receivable than that of other stores.
B. A much higher percentage of past-due accounts receivable than that of previous years.
C. A much higher bad debt expense as a percentage of sales than that of previous years.
D. A much higher bad debt expense as a percentage of sales than that of other stores.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 28
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, circumstantial evidence of the future solvency of the organization.
C. Sufficient, analytical evidence of the cash flow position at a given point of time in the future.
D. Competent, documentary evidence of future cash flow changes within the organization.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 29
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, 2, 3, and 4
B. 1, 2, and 4 only
C. 1 and 2 only
D. 3 and 4 only
Answer: D (LEAVE A REPLY)

NEW QUESTION: 30
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. Assign one experienced manager to better coordinate staff training and development activities.

B. Require that all staff obtain a minimum of two relevant audit certifications.
C. Engage a consultant to benchmark the IAA's training program against its peers.
D. Perform a gap analysis of the IAA's existing knowledge, skills and competencies.
Answer: (SHOW ANSWER)

NEW QUESTION: 31
Which of the following is an activity that an internal auditor must not perform?
A. Establish and provide continuing assurance on an anti-money laundering program for new hires.
B. Provide assurance for the effectiveness of anti-money laundering training.
C. Survey employees for their understanding of anti-money laundering practices.
D. Assess the risk of being fined for ineffective anti-money laundering practices.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 32
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. Why?
B. When?
C. How?
D. Who?
Answer: A (LEAVE A REPLY)

NEW QUESTION: 33
According to IIA guidance, which of the following best describes processes and tools typically used in ongoing internal assessments?
A. Analysis of performance metrics such as cycle times.
B. Benchmarking of the internal audit activity's practices and performance.
C. Report of internal assessment results, response plans, and outcomes.
D. Self-assessments and surveys of stakeholder groups.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 34

What is the primary purpose of a fishbone diagram?

A. To depict the areas of responsibility for departments in an organization.

B. To identify the possible causes of adverse conditions.

C. To plan and control complex projects, such as internal audits.

D. To represent the frequencies of adverse conditions in a given process.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 35

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

A. Perform background checks of potential new employees before they are hired by the organization.

B. Perform ongoing surveys of the employees, customers, and partners of the organization to assess the organization's ethical climate. ^Evaluate the effectiveness of the organization's strategies and B.

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.

Answer: (SHOW ANSWER)

NEW QUESTION: 36

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

A. Determine the requisite knowledge needed, and obtain the proper training for auditors, even if the training will significantly push back the project's timeframe as outlined by the audit committee.

B. Notify the audit committee of the problem, and assign the most competent auditors on staff to perform the audit engagement.

C. Employ the skills of a financial derivatives expert to consult on the project, and supplement the consulting with a local seminar on financial derivatives.

D. Outsource the audit engagement to a qualified external auditing firm without burdening the audit committee with the decision.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 37

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

A. System administrator rights are assigned to one user in each department who can update user access of terminated or transferred employees immediately.
B. Standardized user access profiles are developed and the appropriate access profiles are automatically assigned to new or transferred employees.
C. Department managers are required to perform periodic user access reviews of relevant systems and applications.
D. The human resources department generates a monthly list of terminated and transferred employees and requests IT to update the user access as required.
Answer: C ([LEAVE A REPLY])

NEW QUESTION: 38
Which of the following is an example of a detective control?
A. Confirmation with suppliers and vendors.
B. Auto-correct software functionality.
C. Automatic shut-off valve.
D. Safety instructions.
Answer: A ([LEAVE A REPLY])

NEW QUESTION: 39
According to The IIA's Code of Ethics, which of the following statements is true?
A. 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.
B. 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.
C. 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.
D. When an internal auditor limits the scope of the audit engagement after learning that management is hiding relevant information, he demonstrates integrity.
Answer: ([SHOW ANSWER])

NEW QUESTION: 40
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. Financial accounting.
B. Negotiation and conflict resolution.
C. Ethics and fraud.
D. Project management.
Answer: D ([LEAVE A REPLY])

NEW QUESTION: 41
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. Event identification.
D. Information and communication.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 42
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 cognizant of reducing travel expenses by combining a personal vacation with a business trip.
C. The auditor is alert to the possibility of fraud and activities where irregularities are most likely to occur.
D. The auditor recommends improvements for all of the organization's procedures and practices.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 43
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. $33, 750
B. $11, 250
C. $25, 000
D. $45, 000
Answer: B (LEAVE A REPLY)

NEW QUESTION: 44
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. 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.
B. Terminate the audit engagement in full because an operational audit will not be productive without the client's cooperation.
C. 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.
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: A (LEAVE A REPLY)

NEW QUESTION: 45
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 allows the product division to remain unchanged.
B. Management sells the product division to a competitor.
C. Management outsources the product division to a third party.
D. Management modifies the product division to minimize errors.
Answer: (SHOW ANSWER)

NEW QUESTION: 46
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. Accept the assignment and use an external provider with the necessary knowledge and skills to perform the engagement.
C. Do not accept the assignment because the internal audit activity lacks the competency to perform the engagement with due professional care.
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: B (LEAVE A REPLY)

NEW QUESTION: 47
An internal audit charter should do which of the following?
A. Define the scope of internal audit activities.
B. Outline the schedule of future audits.
C. Communicate the internal audit activity's goals.
D. Establish the size of the internal audit activity.
Answer: (SHOW ANSWER)

NEW QUESTION: 48
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. An automated computer report, organized by supplier, of any invoices for the same amount.
B. The periodic rotation of procurement officers' assignments to supplier accounts.
C. A pre-award financial capacity analysis of suppliers.
D. Periodic inventories of kiln-dried wood at the organization's warehouse.
Answer: (SHOW ANSWER)

NEW QUESTION: 49
Which of the following is true regarding the use of a formal risk management framework?
1. It facilitates a methodical approach to risk mitigation.
2. It defines and standardizes the terminology used in risk communication.
3. It establishes the risk tolerance levels to be accommodated in the strategy.
4. It facilitates the alignment of risk mitigation strategies with management priorities.
A. 2. 3, and 4.
B. 1.2, and 3.
C. 1,2, and 4.
D. 1.3, and 4.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 50
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 the organization's governance framework.
B. The internal audit activity's responsibility for imposing risk management processes.

C. The budgeting process for the internal audit activity.

D. The nature of consulting services provided by the internal audit activity.

Answer: (SHOW ANSWER)

NEW QUESTION: 51

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

A. Goods returned are inspected for damage by the receiving department for proper disposition.

B. Sales department approval is required for credit sales transactions.

C. Goods shipped are matched with valid customer orders.

D. Customers' orders are recorded promptly.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 52

According to IIA guidance, which of the following statements is true?

A. IT risks and related controls are operational and best identified using a bottom-up approach.

B. Risks in IT processes are best mitigated by individual controls.

C. The overall focus of the framework is on significant controls in all critical IT applications.

D. Control process risks are found at multiple layers of the IT environment.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 53

Why are preventative controls generally preferred to detective controls?

A. Because preventive controls are more sensitive and identify more exceptions than detective controls.

B. Because preventive controls identify exceptions after-the-fact, allowing them to be used after the entire review is complete and therefore finding exceptions that detective controls may have missed.

C. Because preventive controls include output procedures, which cover the full range of possible reviews, reconciliations and analysis.

D. Because preventive controls promote doing the right thing in the first place, and lessen the need for corrective action.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 54

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. Professional objectivity.

B. Due professional care.
C. Individual proficiency.
D. Organizational independence.
Answer: (SHOW ANSWER)

NEW QUESTION: 55
Which of the following must be in existence as a precondition to developing an effective system of internal controls?
A. A risk assessment process.
B. An information and communication process.
C. A monitoring process.
D. A strategic objective-setting process.
Answer: (SHOW ANSWER)

NEW QUESTION: 56
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. Determining that the claims have been classified properly.
B. Reviewing claims to ensure all accidents actually occurred in the workplace.
C. Having an occupational health officer on the engagement team.
D. Placing reliance on medical reports from the injured worker's doctor.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 57
Which of the following is the most significant disadvantage of using checklists to evaluate internal controls?
A. They are useful in assessing risk.
B. They require yes/no responses to specific questions, not open-ended responses.
C. They serve as a reminder of what controls should exist in a process.
D. They do not capture all controls that may exist.
Answer: (SHOW ANSWER)

NEW QUESTION: 58
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. 3 and 4 only.
B. 1 and 4 only.

C. 2, 3, and 4 only.
D. 1,2, 3, and 4.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 59
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 provides feedback on the CAE's audit reports.
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 determines the scope of internal audit work in the accounting department.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 60
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. Employees' families.
B. Shareholders and investors.
C. Working conditions.
D. Marketplace competition.
Answer: (SHOW ANSWER)

NEW QUESTION: 61
According to the HA Code of Ethics, which of the following statements best describes the principle of competency?
A. Internal auditors shall perform their work in accordance with the Standards.
B. Internal auditors shall perform their work in accordance with the law and make disclosures expected by the law.
C. Internal auditors shall perform their work with honesty, diligence, and responsibility.
D. Internal auditors shall be prudent in the use of information acquired while performing their work.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 62
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. Conclude that the budget was unreasonably set and accept the deviations.
B. Perform alternative forms of analytical procedures which provide no deviations.
C. Report the deviations immediately to the audit committee.
D. Gather additional information to determine the cause of the deviations.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 63
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 The human resources department to determine how the annual compensation and salary of the audit staff could be adjusted to achieve savings.
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 appropriate stakeholders for their opinion on the potential impacts of reducing the scope of the internal audit plan.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 64
An internal auditor completed an audit of a bank's loan department and found all significant risks to be managed adequately through effective internal controls. Which of the following would be an appropriate conclusion to report to management?
A. The inherent risk is higher than or equal to the risk tolerance.
B. The residual risk is lower than or equal to the risk appetite.
C. The residual risk is higher than or equal to the risk appetite.
D. The inherent risk is lower than or equal to the risk tolerance.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 65
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 (LEAVE A REPLY)

NEW QUESTION: 66
Which of the following statements describes impairment to the internal auditor's objectivity?
A. An internal auditor receives a promotional gift that is available to the organization's employees.
B. An internal auditor performs an assessment of the operations for which he was recently responsible.
C. An internal auditor reviews a purchasing agent's contract drafts prior to their execution.
D. An internal auditor reduces the scope of an audit engagement due to budget restrictions.
Answer: (SHOW ANSWER)

NEW QUESTION: 67
Which of the following is most likely to be considered a control weakness?
A. Buyers promptly update the official vendor listing as new supplier sources become known.
B. Purchase orders are typed by the purchasing department using prenumbered forms.
C. Department managers initiate purchase requests that must be approved by the plant superintendent.
D. Vendor invoice payment requests are accompanied by a purchase order and receiving report.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 68
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. 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.
C. Not allow the audit manager to hire the contractor and ask the individual to apply again in one year.
D. Not allow the audit manager to hire the contractor, as it would be a conflict of interest.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 69

What is the primary benefit to the internal audit activity for undertaking an internal quality assessment?

A. To identify key risks and areas of concern within the organization.

B. To help the internal audit activity complete its annual assurance plan.

C. To identify inefficiencies within the internal audit team.

D. To help improve the overall quality of the internal audit activity's work.

Answer: (SHOW ANSWER)

NEW QUESTION: 70

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. The testimonial evidence obtained during facilitated workshops is generally considered more reliable.

C. Internal auditors do not need other sources of information, as the data gathered during facilitated workshops is sufficient.

D. Facilitated workshops create a synergy of discussion that can bring multiple perspectives to the same issue.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 71

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. 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 C. required to conduct privacy assessments.

B. The internal audit activity should have appropriate knowledge and competence to conduct an asses ....framework.

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. If an organization does not have a mature privacy framework, the internal audit activity should assist in developing and implementing an appropriate privacy framework.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 72

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. 3 and 4 only
B. 1 and 4 only
C. 2 and 3 only
D. 1 and 2 only
Answer: C (LEAVE A REPLY)

NEW QUESTION: 73
Which of the following factors have the greatest influence on the independence of the internal audit activity?
A. Employee incentives and self review of the internal audit activity.
B. Rotational assignments and familiarity of the internal audit activity.
C. Quality assessments and cultural biases of the internal audit activity.
D. Organizational positioning and scope control of the internal audit activity.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 74
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. Two years.
B. One year.
C. Six months.
D. Three months.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 75
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 not in violation of the Standards but are in violation of the IIA Code of Ethics.
D. They are in violation of neither the IIA Code of Ethics nor the Standards.
Answer: (SHOW ANSWER)

NEW QUESTION: 76
Which the following activities should be performed by the internal audit activity to facilitate an effective relationship with the audit committee?
1. Periodically report about the accounting standards followed by the organization.
2. Provide assurance to the audit committee that its charter, activities, and processes are appropriate.
3. Ensure that the role and activities of the internal audit activity are clearly understood and responsive to the needs of the audit committee.
4. Maintain open and effective communications with the audit committee.
A. 3 and 4 only
B. 1 and 2 only
C. 2, 3, and 4 only
D. 1, 3, and 4 only
Answer: C (LEAVE A REPLY)

NEW QUESTION: 77
Which of the following is the primary engagement responsibility of an entry-level internal auditor?
A. Reporting.
B. Leadership.
C. Analysis.
D. Documentation.
Answer: C (LEAVE A REPLY)

NEW QUESTION: 78

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. Agreeing to reword an observation to avoid the client complaining directly to the auditor's supervisor.
C. Providing a friend with the marketing strategic plan, which she will use to prepare her university thesis.
D. Providing personal tax preparation services for a fee for several employees during the lunch hour.
Answer: (SHOW ANSWER)

NEW QUESTION: 79
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. 2, 3, and 4
B. 1, 2, and 3
C. 2 and 3 only
D. 1 and 4
Answer: A (LEAVE A REPLY)

NEW QUESTION: 80
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 another external assessment confirms that the significant areas of nonconformance have been addressed.
B. 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.
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. 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.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 81
The chief audit executive (CAE) is planning to conduct an internal assessment of the internal audit activity (IAA). Part of this assessment will include benchmarking. According to IIA guidance, which of the following qualitative metrics would be appropriate for the CAE to use?
1. Average client customer satisfaction score for a given year.
2. Client survey comments on how to improve the IAA.
3. Auditor interviews once an audit has been completed.
4. Percentage of audits completed within 90 days.
A. 3 and 4.
B. 1 and 3.
C. 1 and 2.
D. 2 and 3.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 82
Which of the following actions does not violate the IIA Code of Ethics or Standards?
A. An internal auditor disclosing confidential information in response to a lawsuit.
B. An internal auditor disclosing details of an audit report to colleagues from a different organization.
C. An internal auditor performing an audit on procedures that they were responsible for creating.
D. An internal auditor performing an audit on an operation that they managed less than a year ago.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 83
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. 2 and 3 only
B. 1 and 4 only
C. 3 and 4 only
D. 1 and 2 only
Answer: D (LEAVE A REPLY)

NEW QUESTION: 84
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. Effect section.
C. Cause section.
D. Criteria section.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 85
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. 2 and 3.
C. 2 and 4.
D. 1 and 4.
Answer: (SHOW ANSWER)

NEW QUESTION: 86
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. Assist management in implementing recommended control improvements.

D. Oversee the establishment and administration of an effective risk management program.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 87
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. Distributing questionnaires.
C. Interviewing.
D. Monitoring.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 88
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. Former members of management.
B. Major shareholders of the organization.
C. Large customers of the organization.
D. Former financial consultants.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 89
Which segregation of duties would best reduce the risk of payroll fraud?
A. Human resources personnel add employees and enter employee bank information. Payroll personnel process hours, and paychecks are automatically deposited in the employee's bank account.
B. Human resources personnel add employees, and payroll personnel process hours and enter employee bank account numbers. 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.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 90
Which of the following is the best way to detect fraud?
A. Implement process controls.

B. Activate a whistleblower hotline.
C. Conduct anti-fraud training.
D. Perform background investigations.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 91
According to IIA guidance, which of the following is the best example of a system application control?
A. A system development life cycle control.
B. An input control over data integrity.
C. A physical security control over a data center.
D. A program change management control.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 92
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. 1 and 3 only
B. 1 and 4 only
C. 4 only
D. 2, 3, and 4 only
Answer: (SHOW ANSWER)

NEW QUESTION: 93
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. Pursuing as many professional certifications as possible.

B. Maintaining membership in The HA and similar professional organizations and subscribing to relevant email updates or news feeds.
C. Participating in on-the-job training in various departments of the organization.
D. Attending annual professional conferences and seminars.
Answer: (SHOW ANSWER)

NEW QUESTION: 94
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. An employee works with the IT manager to develop a program for identifying duplicate invoice payments.
D. A vendor sends a duplicate invoice with a new invoice number, and the accounts payable system fails to detect the duplication.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 95
A chief audit executive (CAE) learns that the brother-in-law of a senior auditor who audits the procurement process was hired as the head of the procurement department six months prior. Which of the following is the most appropriate action for the CAE to take?
A. The CAE should remind the senior auditor of his obligation to be objective and impartial.
B. The CAE should require the senior auditor to disclose the relationship in writing before continuing his responsibility for monitoring procurement.
C. The CAE should not interfere because there is no evidence that a conflict of interest has occurred.
D. The CAE should change the senior auditor's assignment and take corrective action for the auditor's failure to disclose the conflict of interest.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 96
While reviewing the workpapers of a new auditor, the auditor in charge discovered that additional audit procedures might be necessary. According to IIA guidance, which of the following would be most relevant for the auditor in charge to consider when making this decision?
A. Due professional care.
B. Resource management.
C. Engagement supervision.
D. Coordination.
Answer: (SHOW ANSWER)

NEW QUESTION: 97

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

A. Accepting the risk that there may be attempts at unauthorized access to the network.

B. Diversifying the risk that network access will not be available to legitimate, authorized users.

C. Sharing the risk that either firewall could be compromised by hackers.

D. Avoiding the risk of having a direct network connection to un-trusted networks.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 98

Which of the following controls could an internal auditor reasonably conclude is effective by observing the physical controls of a large server room?

A. Foam fire extinguishers are operable to protect against electrical fires.

B. Adequate signs are in place to assist in locating safety equipment.

C. Servers are secured individually to their racks by locks.

D. Swipe card access is required to gain access to the server room.

Answer: (SHOW ANSWER)

NEW QUESTION: 99

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

A. Knowledge and skills needed to perform activities.

B. Integrated responses to multiple risks.

C. Framework to plan, execute and monitor activities.

D. Authority and responsibility to resolve issues.

Answer: (SHOW ANSWER)

NEW QUESTION: 100

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

A. Assist management in interpreting complex IT-related privacy and security risk exposures and evaluating potential mitigation strategies.

B. Assess whether governance activities are aligned with the organization's risk appetite and take into consideration emerging risks.

C. Independently evaluate the skills and experience of potential chief information officer candidates to assess the best fit based on the organization's risk appetite.

D. 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.

Answer: (SHOW ANSWER)

NEW QUESTION: 101
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. 2 and 4.
B. 2 and 3.
C. 1 and 3.
D. 1 and 2.
Answer: A (LEAVE A REPLY)

NEW QUESTION: 102
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. Stakeholders will have more assurance that the risks are assessed consistently.
C. Decision makers will understand that the likelihood of missing or ineffective controls will be reduced.
D. Internal auditors will be able to reduce their sample sizes because controls will be more consistent.
Answer: B (LEAVE A REPLY)