

## IIA.IIA-CRMA.v2024-04-20.q105

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### NEW QUESTION: 1

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. 2, 3, and 4.  
C. 1.2, and 4.  
D. 1.3, and 4.

**Answer:** ([SHOW ANSWER](#))

### NEW QUESTION: 2

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

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

**Answer:** ([SHOW ANSWER](#))

### NEW QUESTION: 3

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

- A. Internal audit standards, procedures, and techniques.

- B. Management principles.
- C. Fundamentals of accounting, economics, and finance.
- D. Computerized information systems.

**Answer: A ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 4**

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

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

**Answer: D ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 5**

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 2.
- C. 1 and 3.
- D. 2 and 3.

**Answer: D ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 6**

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

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 7**

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

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

**Answer:** ([SHOW ANSWER](#))

#### **NEW QUESTION: 8**

According to The IIA's Code of Ethics, which of the following is true?

- A. Integrity requires that auditors perform internal audit services in accordance with the Standards.
- B. Confidentiality requires that auditors be prudent in the use and protection of client information.
- C. Confidentiality requires that auditors disclose all material facts known to them.
- D. Objectivity requires that auditors perform their work with honesty, diligence, and responsibility.

**Answer:** ([SHOW ANSWER](#))

#### **NEW QUESTION: 9**

Which of the following is a weakness of observation as audit evidence?

- A. It cannot be used to test the completeness assertion.
- B. It cannot be used to test the occurrence assertion.
- C. It cannot be relied upon because the evidence is not persuasive.
- D. It cannot be used to test the existence assertion.

**Answer:** ([SHOW ANSWER](#))

#### **NEW QUESTION: 10**

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 audit committee approves the CAE's annual salary increase.
- C. The CAE administratively reports to the board.
- D. The chief executive officer approves the internal audit charter.

**Answer:** B ([LEAVE A REPLY](#))

#### **NEW QUESTION: 11**

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

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

**Answer: A ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 12**

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.** Commitment.
- C.** Information and communication.
- D.** Control environment.

**Answer: D ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 13**

To fill a critical vacancy, an internal auditor is assigned temporarily to a nonaudit role in the purchasing department, where she worked previously before joining the internal audit activity. According to IIA guidance, which of the following statements is true regarding these circumstances?

- A.** The auditor should obtain the CAE's approval as to the nature and scope of the duties she is permitted to perform during her temporary assignment.
- B.** The chief audit executive (CAE) should review all work performed by the auditor during her temporary assignment to ensure no impairments.
- C.** Any work performed by the auditor during her temporary assignment must conform to the internal audit charter.
- D.** The CAE may conduct audits in the purchasing department during the auditor's temporary assignment.

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 14**

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

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

D. An auditor avoids conflicts of interest.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 15**

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

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 16**

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

**Answer: D (LEAVE A REPLY)**

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**NEW QUESTION: 17**

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

- A.** Refrain from indicating that the internal audit activity operates in conformance with the Standards until the chief audit executive confirms that the internal audit activity has addressed all areas of nonconformance and the audit committee has been notified.
- B.** 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 another external assessment confirms that the significant areas of nonconformance have been addressed.

**Answer: D ([LEAVE A REPLY](#))**

### **NEW QUESTION: 18**

Which of the following statements best explains why internal auditors map processes?

1. To obtain audit evidence to support auditor's observations.
2. To determine scope and objectives of the audit.
3. To facilitate the identification of ownership and responsibility for key risks.
4. To identify potential efficiency improvements.

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

**Answer: ([SHOW ANSWER](#))**

### **NEW QUESTION: 19**

While preparing for an audit of senior management expenses, the chief audit executive (CAE) learns that management is unable to locate a number of original expense claims to support the related disbursements. She decides to defer the engagement until they can be located. Which of the following principles likely guided the CAE's decision?

- A.** Independence.
- B.** Proficiency.
- C.** Due professional care.
- D.** Objectivity.

**Answer: ([SHOW ANSWER](#))**

### **NEW QUESTION: 20**

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

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

**Answer: A ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 21**

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

**Answer: D ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 22**

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

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

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 23**

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

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

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

D. 2 and 3 only

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 24**

Why is a code of ethics for the internal audit profession necessary?

- A. It requires auditors to exhibit loyalty to their organizations.
- B. It guides internal auditors in their service to others.
- C. It ensures that all members of the profession possess the same level of competence.
- D. It provides auditors with protection from lawsuits.

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 25**

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. Compare vendor summaries.
- C. Review raw material purchase quantities.
- D. Search for gaps in check numbers.

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 26**

Which of the following does not need to be defined in the internal audit charter?

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

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 27**

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: 28**

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

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

**Answer: C ([LEAVE A REPLY](#))**

**NEW QUESTION: 29**

Which of the following is the most common way that occupational fraud is detected?

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

**Answer: B ([LEAVE A REPLY](#))**

**NEW QUESTION: 30**

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

**Answer: B ([LEAVE A REPLY](#))**

**NEW QUESTION: 31**

The director of purchasing, a certified internal auditor (CIA), signs a contract to procure a large order from a supplier whose products provide the best price, quality, and performance. A few days after signing the contract, the supplier presents the CIA with \$1, 000 as a gift. Which statement regarding acceptance of the money is correct?

- A. Because the CIA is not acting as an internal auditor, accepting the money would be governed only by the organization's code of conduct.
- B. Accepting the money would be prohibited only if it were non-customary.
- C. Because the contract was signed before the money was offered, accepting the money would not violate the IIA Code of Ethics.
- D. Accepting the money would violate the IIA Code of Ethics.

**Answer: D (LEAVE A REPLY)**

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**NEW QUESTION: 32**

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

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

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 33**

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 identify key risks and areas of concern within the organization.
- D. To help improve the overall quality of the internal audit activity's work.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 34**

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

- A. Delegate authority to members of senior management.
- B. Establish a governance committee.
- C. Determine the organization's overall risk appetite.

D. Identify key stakeholders and their expectations.

**Answer: D ([LEAVE A REPLY](#))**

**NEW QUESTION: 35**

During an audit engagement, the internal auditor discussed a risk mitigation recommendation with the manager of the area under review. The manager disagreed with the risk assessment and recommendation. The two failed to come up with an alternative solution, and the auditor decided to proceed with including the original recommendation in the engagement report.

Which of the following is especially important in dealing with this type of situation?

- A. Soft skills in communication, negotiation, and collaboration.
- B. Confidentiality and independence.
- C. Technical skills in the area under review.
- D. Professional qualifications and certification in internal auditing.

**Answer: A ([LEAVE A REPLY](#))**

**NEW QUESTION: 36**

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

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 37**

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

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

**Answer: C ([LEAVE A REPLY](#))**

**NEW QUESTION: 38**

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

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 39**

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

**Answer: C (LEAVE A REPLY)**

#### **NEW QUESTION: 40**

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: 41**

An internal auditor is conducting an engagement in the accounts payable department, which includes expressing an opinion at the micro level. According to IIA guidance, which of the following statements is true regarding micro-level opinions?

1. They are most effective when using a combination of current and prior engagement findings to draw conclusions.
2. They typically are based on defined procedures such as those found in an accounts payable reconciliation process.
3. They are discrete and not normally shared with senior management or the board.
4. They can rely on evidence taken from the work of other assurance activities across the organization.

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

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 42**

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

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 43**

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 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.
- B. 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.
- 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. Terminate the audit engagement in full because an operational audit will not be productive without the client's cooperation.

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 44**

Who is responsible for setting the risk appetite?

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

**Answer: C (LEAVE A REPLY)**

### NEW QUESTION: 45

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. 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. The auditor has retained much of the research and uses it to conduct an audit of the new employer's treasury function.
- B. 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.
- C. At the new organization, the auditor is asked to develop forms to implement probability-proportional-to-size sampling. Although unsure of how to perform this type of sampling, the auditor proceeds without asking for assistance.
- D. 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: C (LEAVE A REPLY)**

### NEW QUESTION: 46

An internal audit activity (IAA) provided assurance services for an activity it was responsible for during the preceding year.

As a result, which IIA Code of Ethics principle is presumed to be impaired?

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

**Answer: A (LEAVE A REPLY)**

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### NEW QUESTION: 47

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 48**

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: B (LEAVE A REPLY)**

**NEW QUESTION: 49**

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. \$45, 000
- D. \$33, 750

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 50**

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

- A. What level of noncompliance is acceptable.

- B. Which fields to examine on each invoice.
- C. Which sampling methodology to select for testing.
- D. Whether an individual expenditure is allowable.

**Answer: A ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 51**

According to IIA guidance, which of the following individuals would best be considered independent for the purpose of participating in an external assessment of the quality assurance and improvement program for an internal audit activity (IAA)?

- A. An employee in an affiliated organization who has never worked directly with the IAA.
- B. An employee in the parent organization who has not had any previous contact with the IAA.
- C. A former employee knowledgeable of the IAA who resigned three years earlier from the organization.
- D. A competent employee of an independent external organization that provides co-sourcing services to the IAA.

**Answer: C ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 52**

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 change the senior auditor's assignment and take corrective action for the auditor's failure to disclose the conflict of interest.
- D. The CAE should not interfere because there is no evidence that a conflict of interest has occurred.

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 53**

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

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

**Answer: B ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 54**

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

**Answer: B (LEAVE A REPLY)**

#### **NEW QUESTION: 55**

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 (LEAVE A REPLY)**

#### **NEW QUESTION: 56**

According to the IIA guidance, who is responsible for periodically assessing the internal audit activity?

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

**Answer: A (LEAVE A REPLY)**

#### **NEW QUESTION: 57**

Which of the following activities should the chief audit executive perform to ensure compliance with an organization's code of conduct?

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 58**

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

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

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 59**

Which of the following is considered a violation of The IIA's Code of Ethics?

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 60**

An internal auditor needs to recommend a policy element to be included in an organization's code of ethics.

Which of the following recommendations would be most effective?

- A. Senior management should be granted specific exemptions to the code of ethics.
- B. Ethics should vary with local customs in the organization's foreign operations.
- C. Ethical behavior should be incorporated into performance evaluations.
- D. Whistleblowing should be discouraged because it can cause distrust among employees.

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 61**

Non-statistical sampling does not require which of the following?

- A. Projecting the results to the population.
- B. A smaller sample size than if selected using statistical sampling.
- C. The sample to be representative of the population.
- D. The sample to be selected haphazardly.

**Answer: B (LEAVE A REPLY)**

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**NEW QUESTION: 62**

Which of the following would be the most important consideration by the internal audit activity when selecting employees to perform an internal quality assessment?

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 63**

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

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

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 64**

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

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 65**

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

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 66**

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

**Answer: (SHOW ANSWER)**

**NEW QUESTION: 67**

Which of the following actions indicates a lack of due professional care by an internal auditor performing an audit of a store's cash function?

- A. The auditor discovered an instance of potential fraud and reported it immediately to management, but did not alert authorities outside the organization.
- B. The auditor tested samples of transactions to test the cash function's process flows.
- C. The audit report included a well-supported recommendation for a reduction in staff even though such a reduction might adversely impact morale.
- D. After determining that the cash function internal controls were strong, the audit report assured senior management that fraud was not present.

**Answer: (SHOW ANSWER)**

**NEW QUESTION: 68**

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 69**

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.** 2, 3, and 4 only

**B.** 1 and 3 only

**C.** 1 and 4 only

**D.** 4 only

**Answer: B (LEAVE A REPLY)**

### **NEW QUESTION: 70**

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

**A.** Assigned responsibilities for designing and implementing controls.

**B.** The minimum resources and competencies needed for the internal audit activity.

**C.** Organizational relationships and reporting lines.

**D.** Identification of the organizational units where engagements are to be performed.

**Answer: C (LEAVE A REPLY)**

### **NEW QUESTION: 71**

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

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

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

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

**Answer: D (LEAVE A REPLY)**

### **NEW QUESTION: 72**

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.** 2, 3, 4, and 5 only.

C. 1.2, and 3 only.

D. 1.2. 4. and 5 only.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 73**

Which of the following are generally recognized as essential elements of a corporate social responsibility program?

A. Fair operating practices and government regulation.

B. Human rights and the environment.

C. Organizational governance and financial reporting.

D. Consumer issues and return on investment.

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 74**

A staff auditor, nearly finished with an audit engagement, discovers that the director of marketing has a gambling habit. The gambling issue is not directly related to the existing engagement, and there is pressure to complete the current engagement. The auditor notes the problem and forwards the information to the chief audit executive, but performs no further follow-up.

Which of the following statements is true about the auditor's actions?

A. They are in violation of the IIA Code of Ethics because the auditor withheld meaningful information.

B. They are in violation of the Standards because the auditor did not properly follow up on a red flag that might indicate the existence of fraud.

C. They are in violation of neither the IIA Code of Ethics nor the Standards.

D. They are not in violation of the Standards but are in violation of the IIA Code of Ethics.

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 75**

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

A. She may participate, but she must be supervised by the auditor in charge.

B. She may participate, but only after she has completed one year with the IAA.

C. She may participate, because she did not previously work in the Human Resources Department.

D. She may participate for training purposes, to build her knowledge of the IAA.

**Answer: C (LEAVE A REPLY)**

### NEW QUESTION: 76

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 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.
- 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 and use an external provider with the necessary knowledge and skills to perform the engagement.

**Answer: D (LEAVE A REPLY)**

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### NEW QUESTION: 77

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

**Answer: (SHOW ANSWER)**

### NEW QUESTION: 78

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

- A. Confirmation with suppliers and vendors.

- B. Auto-correct software functionality.
- C. Safety instructions.
- D. Automatic shut-off valve.

**Answer: A ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 79**

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

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

**Answer: ([SHOW ANSWER](#))**

#### **NEW QUESTION: 80**

Which of the following types of fraud includes embezzlement?

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

**Answer: B ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 81**

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

**Answer: C ([LEAVE A REPLY](#))**

#### **NEW QUESTION: 82**

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. Observation.

C. Interviews.

D. Surveys.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 83**

Which of the following is not a standard technique that the chief audit executive (CAE) would use to provide evidence of supervisory review of working papers?

A. The CAE initials and dates every working paper after it has been reviewed.

B. The CAE utilizes an external third party to make an objective recommendation after each working paper review.

C. The CAE prepares a memorandum discussing the results of the working paper review.

D. The CAE completes an engagement working paper checklist.

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 84**

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

A. CAE meets privately with The CEO at least annually.

B. CAE meets privately with The board at least annually.

C. CAE reviews and approves the annual audit plan.

D. CAE reports to the board regarding audit staff performance evaluation and compensation.

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 85**

Which of the following is the most significant disadvantage of using checklists to evaluate internal controls?

A. They require yes/no responses to specific questions, not open-ended responses.

B. They are useful in assessing risk.

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: D (LEAVE A REPLY)**

**NEW QUESTION: 86**

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 with caution, due to the internal audit activity's scope and responsibility restrictions.

**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, as the board has approved the charter, thus taking responsibility for any deficiencies.

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 87**

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

**A.** The core competencies outlined in the framework are not expected of a person undertaking an entry-level position as an internal auditor.

**B.** The framework is designed to be used primarily by chief audit executives that are developing indicators to measure the performance of the internal audit activity for which they are responsible.

**C.** The framework describes competencies needed for individual internal auditors, but not those necessary at the chief audit executive level.

**D.** The framework lists the core competencies internal auditors should possess before attempting to attain The IIA's Certified Internal Auditor certification.

**Answer: B (LEAVE A REPLY)**

**NEW QUESTION: 88**

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

1. The complexity of the work required.

2. The needs and expectations of the client.

3. The potential value of the engagement compared to the effort.

4. Information regarding assumptions and procedures to be employed.

**A.** 1, 2, and 3 only

**B.** 2 and 3 only

**C.** 1, 2, 3, and 4

**D.** 1 and 4 only

**Answer: (SHOW ANSWER)**

**NEW QUESTION: 89**

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

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

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

- C. During facilitated workshops, people more openly say things to internal auditors than during private interviews.
- D. The testimonial evidence obtained during facilitated workshops is generally considered more reliable.

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 90**

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

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

**Answer: A (LEAVE A REPLY)**

**NEW QUESTION: 91**

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

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

**Answer: A (LEAVE A REPLY)**

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**NEW QUESTION: 92**

Which of the following is a second line of defense in effective risk management and control?

- A. Internal audit department.

- B. Purchasing department.
- C. Credit department.
- D. Compliance department.

**Answer: D ([LEAVE A REPLY](#))**

**NEW QUESTION: 93**

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

**Answer: B ([LEAVE A REPLY](#))**

**NEW QUESTION: 94**

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

**Answer: B ([LEAVE A REPLY](#))**

**NEW QUESTION: 95**

Which of the following items should the chief audit executive disclose to senior management regarding the results of the internal audit activity's quality assessments?

- A. The internal audit activity's plan for resource allocation.
- B. The number of audits from the annual internal audit plan that were completed last year.
- C. The qualifications and independence of the assessment Team.
- D. The amount of the organization's potential loss prevented by the risk-based auditing of the internal audit activity.

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 96**

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

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

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 97**

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

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 98**

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

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

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

**Answer: D ([LEAVE A REPLY](#))**

**NEW QUESTION: 99**

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. Former financial consultants.
- C. Large customers of the organization.
- D. Former members of management.

**Answer: ([SHOW ANSWER](#))**

**NEW QUESTION: 100**

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

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 101**

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

**Answer: D (LEAVE A REPLY)**

**NEW QUESTION: 102**

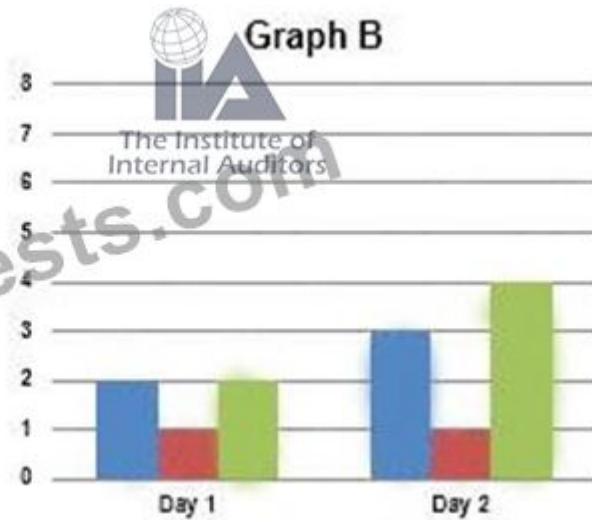
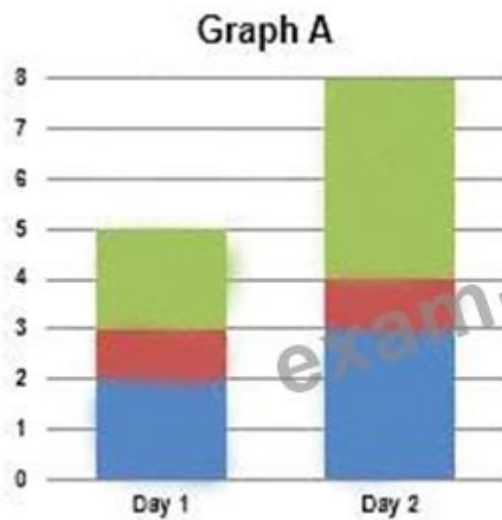
Which of the following scenarios best illustrates the principle of due professional care?

- A.** An internal auditor uses technology-based audit techniques to ensure that all significant risks are identified.
- B.** An internal auditor declares that he would have a conflict of interest in providing planned audit support.
- C.** An internal auditor evaluates the significant risks arising from a consulting engagement.
- D.** An internal auditor has been given sufficient authority to access documents needed to make an appraisal of an issue.

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 103**

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 B only

B. Neither A nor B.

C. Both A and B.

D. Graph A only

**Answer: C (LEAVE A REPLY)**

#### NEW QUESTION: 104

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

**Answer: C (LEAVE A REPLY)**

**NEW QUESTION: 105**

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. Establish the size of the internal audit activity.
- D. Communicate the internal audit activity's goals.

**Answer: A (LEAVE A REPLY)**

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