

Exam Questions IIA-CRMA-ADV

Certification in Risk Management Assurance

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NEW QUESTION 1

- (Topic 1)

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

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

Answer: C

NEW QUESTION 2

- (Topic 1)

During an internal audit, an organization's processing department is found to have incidences of both duplicate invoices and notices from customers that purchased goods were not received. The department under review insists that some of these reports are false and that others were isolated oversights due to understaffing.

Which of the following tests would best help the internal auditor detect fraudulent activity?

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

Answer: A

NEW QUESTION 3

- (Topic 1)

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

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

Answer: D

NEW QUESTION 4

- (Topic 1)

Which of the following best describes the assessment of risks?

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

Answer: B

NEW QUESTION 5

- (Topic 1)

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

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

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

Answer: C

NEW QUESTION 6

- (Topic 1)

Which of the following is a preventive control?

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

Answer: B

NEW QUESTION 7

- (Topic 1)

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

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

Answer: A

NEW QUESTION 8

- (Topic 1)

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

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

Answer: B

NEW QUESTION 9

- (Topic 1)

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

- A. Restrict data-table access from management and line supervisors who have the authority to determine pay rates.
- B. Require a supervisor in the department, who has the ability to change the table, to compare the changes to a signed management authorization.
- C. Ensure that adequate edit and reasonableness checks are built into the automated system.
- D. Require a manager, who is independent of the system and who cannot change the table, to authorize and sign-off on any employee pay changes.

Answer: D

NEW QUESTION 10

- (Topic 1)

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

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

Answer: B

NEW QUESTION 10

- (Topic 1)

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

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

Answer: B

NEW QUESTION 13

- (Topic 1)

During an account receivables audit, an internal auditor found a significant number of input errors resulting in a \$500,000 balance understatement. Which of the following is the most important question the internal auditor should ask to develop an appropriate recommendation for this finding?

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

Answer: C

NEW QUESTION 14

- (Topic 1)

Which of the following conditions is the most likely indicator of fraud?

- A. Commissions are paid based on verified increases to sales.
- B. Departmental reports are consistently issued in an untimely manner.
- C. A manager regularly assumes subordinates' duties.
- D. Lower earnings occur during the industry's down cycle.

Answer: C

NEW QUESTION 17

- (Topic 1)

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

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

Answer: D

NEW QUESTION 22

- (Topic 1)

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

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

Answer: D

NEW QUESTION 24

- (Topic 1)

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

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

Answer: A

NEW QUESTION 28

- (Topic 1)

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

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

Answer: A

NEW QUESTION 30

- (Topic 1)

An internal auditor makes a series of observations when performing an analytical review of division operations. The auditor notes the following things: the current ratio is increasing and the quick ratio is decreasing, sales and current liabilities have remained constant, and the number of day sales in inventory is increasing. Which conclusion should the auditor draw from this data?

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

Answer: A

NEW QUESTION 33

- (Topic 1)

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

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

Answer: A

NEW QUESTION 37

- (Topic 1)

During the course of an audit, an internal auditor discovers that a valuable employee in the research department has been patenting new developments in the employee's name that are unrelated to the basic business of the organization.

The organization does not have a policy addressing this specific issue, but does have a general policy that all important new discoveries by employees are the property of the organization.

Division management views the employee's actions as extra incentive to retain the employee.

A decision to include the employee's action in the engagement final communication would be:

- * 1. A violation of the IIA Code of Ethics.
- * 2. A violation of the reporting requirements in the Standards.
- * 3. Justified and necessary, according to the IIA Code of Ethics and Standards.

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

Answer: C

NEW QUESTION 39

- (Topic 1)

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

Answer: C

NEW QUESTION 40

- (Topic 1)

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

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

Answer: D

NEW QUESTION 42

- (Topic 1)

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

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

Answer: D

NEW QUESTION 45

- (Topic 1)

Which of the following is a valid statement about the use of visual observations during an audit engagement?

- * 1. Visual observations can be used to detect ineffective controls, idle resources, and safety hazards.
- * 2. Visual observations can be used during both preliminary survey and fieldwork stages of the audit engagement.
- * 3. Visual observations can provide unsubstantiated facts to management if the internal auditor believes the information is useful.
- * 4. Visual observations can assist an auditor in determining if a material observation should be communicated through informal means to the organization's senior management.

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

Answer: A

NEW QUESTION 48

- (Topic 1)

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

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

- A. 1 and 2 only

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

Answer: D

NEW QUESTION 49

- (Topic 2)

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

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

Answer: B

NEW QUESTION 53

- (Topic 2)

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

Answer: D

NEW QUESTION 58

- (Topic 2)

Which of the following is not an objective of internal control?

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

Answer: D

NEW QUESTION 60

- (Topic 2)

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 residual risk is lower than or equal to the risk appetite.
- B. The residual risk is higher than or equal to the risk appetite.
- C. The inherent risk is lower than or equal to the risk tolerance.
- D. The inherent risk is higher than or equal to the risk tolerance.

Answer: A

NEW QUESTION 63

- (Topic 2)

According to the COSO internal control framework, which of the following best describes the use of continuous auditing programs by the internal audit activity?

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

Answer: D

NEW QUESTION 68

- (Topic 2)

Which of the following control methods is effective in reducing the risk of purchasing- scheme fraud?

- * 1. Periodically reviewing the vendor list for unusual vendors and addresses.
- * 2. Segregating duties for amount purchasing, receiving, shipping, and accounting.
- * 3. Validating sequential integrity of purchase orders.
- * 4. Verifying the validity of invoices with post office box addresses.

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

Answer: B

NEW QUESTION 71

- (Topic 2)

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

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

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

Answer: C

NEW QUESTION 74

- (Topic 2)

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

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

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

Answer: C

NEW QUESTION 76

- (Topic 2)

An internal auditor is using a spreadsheet application to review a cash flow forecast prepared by management.

Which of the following correctly identifies the type of evidence this information represents?

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

Answer: C

NEW QUESTION 80

- (Topic 2)

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

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

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

Answer: A

NEW QUESTION 85

- (Topic 2)

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

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

Answer: C

NEW QUESTION 88

- (Topic 2)

According to IIA guidance, which of the following is not a responsibility of the chief audit executive pertaining to documenting information to support internal audit engagement results and conclusions?

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

Answer: A

NEW QUESTION 89

- (Topic 2)

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

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

Answer: C

NEW QUESTION 92

- (Topic 2)

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

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

Answer: D

NEW QUESTION 94

- (Topic 2)

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

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

Answer: A

NEW QUESTION 98

- (Topic 2)

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

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

Answer: D

NEW QUESTION 99

- (Topic 2)

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

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

Answer: B

NEW QUESTION 102

- (Topic 2)

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

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

Answer: C

NEW QUESTION 107

- (Topic 2)

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

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

Answer: B

NEW QUESTION 108

- (Topic 2)

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

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

Answer: D

NEW QUESTION 111

- (Topic 2)

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

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

Answer: B

NEW QUESTION 113

- (Topic 2)

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

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

Answer: C

NEW QUESTION 116

- (Topic 2)

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

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

Answer: A

NEW QUESTION 120

- (Topic 2)

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

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

Answer: A

NEW QUESTION 122

- (Topic 2)

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

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

Answer: C

NEW QUESTION 127

- (Topic 2)

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

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

Answer: C

NEW QUESTION 129

- (Topic 2)

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

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

Answer: A

NEW QUESTION 134

- (Topic 2)

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

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

Answer: D

NEW QUESTION 137

- (Topic 2)

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

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

Answer: B

NEW QUESTION 139

- (Topic 2)

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

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

Answer: B

NEW QUESTION 143

- (Topic 2)

Which of the following describes a key characteristic related to effective organizational communication?

- A. Comprehensive supervisory and verification procedures.
- B. A well-designed system of internal controls.
- C. A culture of integrity and transparency.
- D. Unique operating environments with varying complexity.

Answer: B

NEW QUESTION 146

- (Topic 2)

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

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

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

Answer: B

NEW QUESTION 148

- (Topic 2)

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

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

Answer: D

NEW QUESTION 151

- (Topic 2)

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

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

Answer: B

NEW QUESTION 156

- (Topic 2)

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

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

Answer: D

NEW QUESTION 157

- (Topic 2)

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

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

Answer: C

NEW QUESTION 159

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