



## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 1 December 2025. Morning Paper.

Time Allowed: 3 hours.

This paper has two sections. SECTION I consists of fifty (50) Multiple Choice Questions carrying fifty (50) marks. SECTION II has four (4) structured questions carrying fifty (50) marks. Answer ALL questions. Marks allocated to each question are indicated at the end of the question.

#### SECTION I (50 MARKS)

1. Which one of the following methods is **NOT** a challenge in fraud prevention?
  - A. Denial of existence of fraud
  - B. Lack of capacity in fraud prevention
  - C. Lack of resources
  - D. Lack of internal audit function(1 mark)
  
2. Which one of the following statements is **NOT** part of management's responsibilities for the anti-fraud program?
  - A. Evaluating the effectiveness of the internal controls
  - B. Setting the tone at the top
  - C. Consistent response to incidences of fraud
  - D. Creating a culture of ethics that supports the anti-fraud initiatives(1 mark)
  
3. Which one of the following statements **BEST** explains rationalisation according to Donald R. Cressey?
  - A. I can borrow and return the money before it is detected.
  - B. I need to pay for my loan balance that is three months in arrears
  - C. I need to compensate myself for the extra hours worked with no pay
  - D. My friends are going for a lavish vacation. I need to take my employers cash sales money so as a pay for the contributions required for the vacation(1 mark)
  
4. Which one of the following parties has the **PRIMARY** responsibility for designing, implementing, monitoring and improving the fraud risk management programme?
  - A. The audit committee
  - B. Senior management
  - C. Risk and control personnel
  - D. Board of directors(1 mark)
  
5. Which one of the following terms is **NOT** a white-collar crime?
  - A. Conflict of interest
  - B. Abuse of office
  - C. Corruption
  - D. Embezzlement(1 mark)
  
6. Which one of the following statements is **ACCURATE** with regard to communication of the anti-fraud policy?
  - A. The policy should not be communicated to outside parties
  - B. The policy should be presented through a formal training
  - C. The policy should be communicated verbally
  - D. The policy should only be issued to employees(1 mark)

7. Which one of the following statements is **ACCURATE** with regard to conducting background checks?

- A. Before hiring, management should conduct background checks where and to the extent permitted by law
- B. Background checks are not necessary for existing employees being promoted
- C. Drug screening is necessary to only potentially drug addicted personnel
- D. Criminal background checks can only be on court order

(1 mark)

8. Which one of the following components is **NOT** a component of an anti-fraud policy?

- A. Policy statement
- B. Fraud risk assessment
- C. What constitutes fraud
- D. Responsibility for fraud prevention

(1 mark)

9. Which one of the following statements is **ACCURATE** with regard to International Professional Practice Framework (IPPF) for internal auditors' fraud responsibilities?

- A. Internal auditors must have sufficient knowledge to evaluate risk of fraud
- B. Due professional care imply infallibility in regards to internal auditor's professional audit execution
- C. Assurance procedures by internal auditors guarantee that all significant risks were identified and reported
- D. Internal auditors must have sufficient knowledge to detect risk of fraud

(1 mark)

10. Which one of the following statements **BEST** describes cascading training in fraud prevention?

- A. Progressive training to ensure consistency
- B. Employees training from their supervisors
- C. Employees training conducted by consultants
- D. Formal training conducted across the organisation

(1 mark)

11. Which one of the following responsibilities is **NOT** an internal auditor's responsibility for fraud risk management? Internal auditors should \_\_\_\_\_.

- A. identify and assess fraud risks
- B. should support the fraud risk assessment process
- C. evaluate the effectiveness of the internal controls
- D. design and implement controls to mitigate fraud risks

(1 mark)

12. Which one of the following statements is **NOT ACCURATE** in regard to fraud risk assessment in relation to fraud prevention? Fraud risk assessment provides \_\_\_\_\_.

- A. preventive measures
- B. detective measures
- C. for informed communication for fraud risks
- D. for strong internal controls

(1 mark)

13. Which one of the following statements is **ACCURATE** in regard to professional ethics for fraud examiners?

- A. A fraud examiner may express an opinion on the guilt or innocence of a suspect based on the evidence gathered
- B. A fraud examiner shall not knowingly violate the law
- C. A fraud examiner shall not violate the law
- D. Fraud examiners must occasionally improve their competence through formal training

(1 mark)

14. Which one of the following statements is **NOT** accurate in regard to factors that influence fraud risk?

- A. Technical skills and knowledge
- B. The nature of business
- C. Fraudulent organisational culture
- D. The effectiveness of the internal controls

(1 mark)

15. Which one of the following statements is **ACCURATE** in regard to auditors' responsibilities relating to fraud in an audit of financial statements according to International Standards on Auditing (ISA) 240?

- A. The purpose of ISA 240 is to provide rules on auditor's responsibility in audit of financial statements
- B. The standard requires the auditor to focus on areas where there is risk of material misstatement due to fraud, including management fraud
- C. ISA 240 is intended to provide structures that need to be included in the main sections of the overall audit process
- D. ISA 240 requires that the auditor ensures there is no unavoidable risk in regard to material misstatements

(1 marks)

16. Which one of the following statements is **ACCURATE** in regards to procedures for preventing fraud?

- A. Control activities are the most effective method of fraud prevention method
- B. Segregation of duties is the most effective method of fraud prevention
- C. Fraud risk assessment is the most effective method of fraud prevention
- D. Fraud awareness training is most effective method of fraud prevention

(1 marks)

17. According to B. F. Skinner, which one of the following is the **MOST** effective way to modifying destructive behavior to productive behavior?

- A. Soft controls
- B. Punishment
- C. Internal controls
- D. Hard controls

(1 mark)

18. Which one of the following statements **BEST** describes privileged information held by a fraud examiner?

Privileged information \_\_\_\_\_.

- A. is that information that cannot be demanded even by court because it is protected
- B. can only be requested by the court
- C. is that which the fraud examiner can only share under duress
- D. can only be shared with interested parties

(1 mark)

19. Which one of the following measures can help to modify desires and prevent criminal behaviour?

- A. Punishment
- B. Negative reinforcement
- C. Positive reinforcement
- D. None of the above

(1 mark)

20. Which one of the following statements is **NOT** accurate in regard fraud examiners professional ethics?

- A. Fraud examiners must not use confidential information obtained during the course of professional engagement in a way that conflicts the interests of the client or employer
- B. Fraud examiners must be careful in situations where keeping silent could be construed as obstructing justice or engaging in a conspiracy
- C. Fraud examiners may only use confidential information in furtherance of their professional responsibilities.
- D. Confidentiality relationship runs first with suspect being investigated due to data privacy

(1 mark)

21. Which one of the following **BEST** explains fraud examiners reporting of material matters?

- A. In determining materiality, fraud examiners should consider what they themselves think is material and important
- B. Fraud examiners should report all material matters discovered during fraud examination which if omitted could distort facts
- C. When matters are not clear, the fraud examiners should totally skip that matter to avoid distortion of the facts
- D. Material being user-oriented concept, material information is that which if omitted would not change a user's perceptions and conclusion

(1 mark)

22. Which one of the following statements **BEST** describes corporate governance according to organisation for economic co-operation and developments (OECD)?

- A. Procedures and processes to which an organisation is directed and controlled
- B. The separation of the executive and none executive boards
- C. Proactive measures about strategic management of an organisation by board of directors
- D. None of the above

(1 mark)

23. Which one of the following is **NOT** one of the three elements of causation of crime according to the Routine Activity Theory?

- A. The availability of suitable targets
- B. The presence of motivated offenders
- C. The absence of capable guardians
- D. The presence of opportunity

(1 mark)

24. Which one of the following statements is **NOT** accurate in regard to detective controls? Detective controls  
A. increase the perception of detection  
B. discourages employees from engaging in fraudulent activities  
C. are control activities that put controls into action  
D. encourages employees not to engage in fraudulent activities (1 mark)

25. Which one of the following principles is **NOT** among the principles of corporate governance?  
A. Responsibility  
B. Fairness  
C. Transparency  
D. Independence (1 mark)

26. Which one of the following controls is **NOT** both preventive and detective?  
A. Effective reporting program  
B. Surprise audits  
C. Fraud audits  
D. Special audits (1 mark)

27. Which one of the following COSO component provides a foundation for all other controls?  
A. Control environment  
B. Fraud risk assessment  
C. Control activities  
D. Information and communication (1 mark)

28. Which one of the following fraud related controls is preventive?  
A. Training and awareness  
B. Proactive audit procedures  
C. Surprise audits  
D. Analytical reviews (1 mark)

29. Which one of the following elements facilitates fraud?  
A. Low personal integrity  
B. Low perception of detection  
C. The nature of the business  
D. Sense of entitlement (1 mark)

30. Which one of the following is the **MOST EFFECTIVE** method of enhancing reporting of fraudulent activities?  
A. Establishment of an outsourced fraud hotline  
B. Training and awareness  
C. Establishment of an in-house fraud hotline  
D. Whistleblower policy (1 mark)

31. Which one of the following parties are associated with the risk of lack of oversight?  
A. Board of directors  
B. Management  
C. Employees  
D. Internal auditors (1 mark)

32. Which one of the following parties have the overall responsibility for monitoring the effectiveness of the internal controls?  
A. Board  
B. Management  
C. Internal auditors  
D. Internal auditors and management (1 mark)

33. Which one of the following is **NOT** an inherent risk of fraud?  
A. Low perception of detection  
B. Weak controls  
C. Rationalisation  
D. Low personal integrity (1 mark)

34. Which one of the following **BEST** describes a situation that encourages employees in engaging in fraudulent activities?  
A. High perception of detection  
B. Financial pressure  
C. Sense of entitlement  
D. Low perception of detection (1 mark)

35. Which one of the following fraud principles is associated with defining the management's fraud risk appetite?  
A. Risk assessment  
B. Fraud risk governance  
C. Fraud risk oversight  
D. Fraud risk assessment (1 mark)

36. Which one of the following fraud controls **CANNOT** help in increasing the perception of detection?  
A. Proactive fraud audits  
B. Training and awareness  
C. Surprise audits  
D. Reporting programs (1 mark)

37. Which one of the following statements is **ACCURATE** in regard to fraud related controls?  
A. Fraud controls are hard controls that effectively prevent fraud  
B. Fraud controls are basic controls that effectively prevent fraud  
C. Fraud control is a process that is aimed at reducing incidences of fraud and also maximising detection  
D. Fraud controls are made of rules and procedures that minimise the occurrence of fraud while maximising detection of fraud respectively (1 mark)

38. Which one of the following components of fraud prevention health checkup is related to defining fraud risk appetite?  
A. Fraud risk management policy  
B. Proactive detection  
C. Fraud risk assessment  
D. Control environment (1 mark)

39. Which one of the following parties have the overall responsibility for monitoring the effectiveness of the compliance programme?  
A. Internal auditor  
B. Risk officer  
C. Management  
D. Compliance officer (1 mark)

40. Which one of the following parties have the ultimate responsibility for establishing a culture of zero tolerance for fraud and corruption?  
A. Managers and supervisors  
B. Risk manager  
C. The board  
D. Management (1 mark)

41. Which one of the following activities communicates management's zero tolerance for fraud? Management has \_\_\_\_\_.  
A. designed and implemented strong controls  
B. designed and implemented a case to case basis response  
C. enhanced internal controls  
D. put procedures in place discourage employees from engaging in fraud and corruption (1 mark)

42. Which one of the following statements is **NOT ACCURATE** with regard to employee responsibility for fraud prevention in an organisation? Employees have responsibility for \_\_\_\_\_.  
A. reporting fraud  
B. assisting in creating a culture of integrity  
C. assisting in monitoring of risks of fraud  
D. designing and implementing preventive controls (1 mark)

43. Which one of the following perceptions would be more reliable with regard to management's tone at the top?  
A. Board's perception  
B. Internal Auditor's perception  
C. External auditor's perception  
D. Employees perception (1 mark)

44. Which one of the following statements is **NOT** accurate with regard to the internal auditor's responsibility for fraud risk management program?  
A. Internal auditor should identify and assess the risks of fraud  
B. Internal auditor should detect fraud in the cause of an audit engagement  
C. Internal auditor should evaluate the effectiveness of the fraud risk management program  
D. Internal auditor should monitor the effectiveness of the fraud risk management program (1 mark)

45. Which one of the following statements is **NOT** accurate with regard to reducing the risk of low perception of detection? Low perception of detection \_\_\_\_\_.  
A. is a motivating factor of fraud  
B. can be reduced by detective controls  
C. can be reduced effectively by preventive controls  
D. is a root cause of fraudulent activities (1 mark)

46. Which one of the following is associated with situational pressure?  
A. Financial reporting  
B. Asset misappropriation  
C. Corruption  
D. Conflict of interest (1 mark)

47. Which one of the following procedures can help in enforcing controls to demotivate employees from engaging in fraud?  
A. Fraud risk assessment  
B. Code of ethics  
C. Training and awareness  
D. Proactive fraud audits (1 mark)

48. Which one of the following statements is **ACCURATE** with regard to reactive audits? Special audits \_\_\_\_\_.  
A. are reactive activities that are performed in response to suspicion of fraud  
B. should be part of the fraud prevention policy  
C. are proactive fraud prevention activities  
D. help to increase the perception of detection (1 mark)

49. Which one of the following statements is **ACCURATE** with regard to one of the main factors that lead to fraudulent activities according to Dr. Steve Albrecht?  
A. Putting too much trust in key employees  
B. Trusting key employees  
C. Lack of clear lines of authority  
D. Failure to modify desires (1 mark)

50. According to the 2024 'Report To The Nations', which one of the following fraud detection methods is ranked second?  
A. Tips  
B. Internal audit  
C. Management review  
D. External audit (1 mark)

## SECTION II

51. Evaluate **FIVE** types of controls provided by the **FIVE** COSO components of the integrated internal control framework. **(Total: 20 marks)**

52. Describe **FIVE** methods of increasing the perception of detection in regard to fraud prevention. **(Total: 15 marks)**

53. Under fraud detection and prevention:

(a) Define the following terms:

(i) Fraud prevention. (2 marks)

(ii) Internal controls. (2 marks)

(b) Explain what an effective internal control system entails. (2 marks)

(c) Explain the main difference between fraud prevention and fraud detection. (2 marks)

(d) Explain two factors that motivate people in an organisation to engage in fraudulent and corrupt activities. (2 marks)

**(Total: 10 marks)**

54. Identify **FIVE** root causes of fraud. **(Total: 5 marks)**

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 18 August 2025. Morning Paper.

Time Allowed: 3 hours.

**Answer ALL questions. This paper has two sections. SECTION I consists of fifty (50) Multiple Choice Questions carrying fifty (50) marks. SECTION II has four (4) structured questions carrying fifty (50) marks. Marks allocated to each question are indicated at the end of the question.**

#### SECTION I (50 MARKS)

1. Which one of the following is a factor of assessing the impact of fraud risk if the risk materialised?
  - A. Past instances of a particular fraud in the organisation
  - B. Prevalence of the particular fraud at the organisation
  - C. Management support of fraud prevention initiatives
  - D. People or department associated with fraud risk(1 mark)
  
2. Which one of the following parties are associated with the risk of inadequate oversight?
  - A. Board of directors
  - B. Management
  - C. Employees
  - D. Internal auditors(1 mark)
  
3. Which one of the following parties have the primary responsibility for monitoring the effectiveness of the internal controls?
  - A. Board
  - B. Management
  - C. Internal auditors
  - D. Internal auditors and management(1 mark)
  
4. Which one of the following risks are **NOT** fraud related risks?
  - A. Lack of loyalty
  - B. Inadequate controls
  - C. Rationalisation
  - D. Low personal integrity(1 mark)
  
5. Which one of the following statements **BEST** describes fraud risk associated with a situation that encourage employees in engaging in fraudulent activities?
  - A. Situational pressure
  - B. Financial pressure
  - C. Social pressure
  - D. Low perception of detection(1 mark)

6. Which one of the following fraud principles of the COSO is associated with communicating the expectations of the board?  
A. Risk assessment  
B. Fraud risk governance  
C. Fraud risk oversight  
D. Monitoring (1 mark)

7. Which one of the following fraud controls can help to mitigate low perception of detection?  
A. Adequate oversight  
B. Training and awareness  
C. Surprise audits  
D. Comprehensive compliance program (1 mark)

8. Which one of the following statements is **ACCURATE** in regard to fraud prevention?  
A. Fraud controls are hard controls that effectively prevent fraud  
B. Fraud controls are basic controls that effectively prevent fraud  
C. Fraud control is a process that is aimed at reducing incidences of fraud and also maximising detection  
D. Fraud controls are made of policies and control activities that minimise the occurrence of fraud while maximising detection of fraud respectively (1 mark)

9. Which one of the following are components of fraud prevention health checkup related to developing policies and strategy for fraud prevention?  
A. Fraud risk oversight  
B. Proactive detection  
C. Fraud risk assessment  
D. Control environment (1 mark)

10. Which one of the following parties have the primary responsibility for monitoring the effectiveness of a compliance program?  
A. Internal auditor  
B. Risk officer  
C. Management  
D. Compliance officer

11. Which one of the following parties have the final responsibility for creating a culture of zero tolerance for fraudulent and corrupt activities in an organisation?  
A. Managers and supervisors  
B. Internal auditor  
C. The board  
D. Management (1 mark)

12. Which one of the following actions demonstrates management's zero tolerance for fraud? Management has \_\_\_\_\_.  
A. designed and implemented strong controls  
B. designed and implemented a case to case basis response  
C. enhanced internal controls  
D. to put procedures in place to maximise detection (1 mark)

13. Which one of the following statements is **INACCURATE** in regard to employees' responsibility for fraud?  
A. Employees have responsibility for reporting fraud  
B. Employees have responsibility for assisting in establishing a culture of integrity

C. Employees have a responsibility for assisting in identification of fraud risks  
D. None of the above (1 mark)

14. Which one of the following assessments would be **ACCURATE** in regard to management's integrity?  
A. Board's perception  
B. Internal auditor's perception  
C. External auditor's perception  
D. None of the above (1 mark)

15. Which one of the following statements is **INACCURATE** in regard to integrity in performance of investigations?  
A. A forensic auditor requires independence of mind and avoidance of conflict of interest  
B. A forensic auditor should have very high level of moral philosophy  
C. A forensic auditor cannot admit mistakes  
D. A forensic auditor must put the interest of the client before personal desires (1 mark)

16. Which one of the following statements is **INACCURATE** in regard to the internal auditor's responsibility for fraud prevention?  
A. Internal auditor should identify and assess the risks of fraud  
B. Internal auditor should detect fraud in the course of an audit engagement  
C. Internal auditor should evaluate the effectiveness of the fraud risk management program  
D. Internal auditor should continuously monitor the effectiveness of the fraud risk management program (1 mark)

17. Which one of the following statements is **INACCURATE** in regard to perception of detection fraud risk?  
A. Low perception of detection is a motivating factor for fraudulent activity  
B. Low perception of detection risk can be mitigated by detective controls  
C. Low perception of detection risk can be mitigated effectively by preventive controls  
D. Low perception of detection is a root cause of fraudulent activities (1 mark)

18. Which one of the following actions **BEST** describes an area that is associated with performance-based compensation risk?  
A. Financial reporting  
B. Asset misappropriation  
C. Corruption  
D. Disbursements (1 mark)

19. Which one of the following controls can help in enforcing controls to effectively discourage employees from engaging in fraudulent activities?  
A. Fraud risk assessment  
B. Code of ethics  
C. Training and awareness  
D. Fraud audits (1 mark)

20. Which one of the following statements is **ACCURATE** in regard to special audits? Special audits \_\_\_\_\_.  
A. are reactive activities that is conducted in response to suspicion of fraud

B. should be part of the fraud prevention policy  
C. are proactive fraud prevention activities  
D. help to increase the perception of detection (1 mark)

21. Which one of the following statements is **ACCURATE** in regard to factors that lead to fraudulent activities, according to B.F. Skinner?  
A. Putting too much trust in key employees  
B. Trusting key employees  
C. Lack of clear lines of authority  
D. Situations and circumstances (1 mark)

22. Which one of the following is **ACCURATE** in regard to the most common types of preventive controls according to the 2024 report to the nations?  
A. Separation of duties  
B. Internal audit  
C. Separation of duties  
D. Management review (1 mark)

23. Which one of the following statements are examples of anti- fraud controls that are both preventive and detective?  
A. Independent analytical reviews  
B. Internal audit  
C. External audit  
D. Effective reporting programs (1 mark)

24. According to the 2024 report to the nations, which one of the following methods is ranked last in regard to fraud detection?  
A. Tips  
B. Internal audit  
C. Management review  
D. External audit (1 mark)

25. Which one of the following statements is **ACCURATE** in regard to evaluation of the effectiveness of the internal controls?  
A. Evaluation of the effectiveness of the internal controls involves implementing control activities and procedures  
B. Evaluation the effectiveness of the internal controls involves checking if the five COSO components are place and working together  
C. Evaluation of the effectiveness of the internal controls involves testing if the controls are working  
D. Evaluation the effectiveness of the internal controls involves checking if fraud has occurred (1 mark)

26. Evaluation elements of fraud risk oversight involves \_\_\_\_\_.  
A. independent evaluations of the board's fraud prevention oversight  
B. identification and assessment of fraud risks  
C. knowledge and training on fraud risk ownership  
D. implementation of proactive detective controls (1 mark)

27. Which one of the following statements is **INACCURATE** in regard to fraud related controls?  
A. Detective controls are type of soft controls that discourage fraudulent activities  
B. Detective controls are proactive procedures that discourage fraudulent activities

C. Preventive controls are proactive controls that encourage people in the organisation not to engage in fraudulent activities  
D. Detective controls are reactive control procedures for responding to discovery of fraud (1 mark)

28. Which one of the following statements is **ACCURATE** in regard to controls that are aimed at achieving compliance in relation to fraud prevention?  
A. Basic controls are supposed to be enforced to effectively prevent and detect fraud  
B. Basic controls are supposed to be enhanced to effectively prevent and detect fraud  
C. Basic controls that are well enhanced are effective in preventing and detecting fraud  
D. Strong basic controls are those that are well enforced (1 mark)

29. Which one of the following **BEST** describes fraud prevention health check-up component that is related to knowledge and training of fraud risks identification and monitoring?  
A. Fraud risk ownership  
B. Fraud risk tolerance and risk management policy  
C. Internal control environment  
D. Fraud risk oversight (1 mark)

30. Which one of the following statements is **ACCURATE** in regard to developing effective fraud prevention controls?  
A. Enhancing internal controls would help in improving fraud prevention  
B. Enhancing detective controls would help in improving fraud prevention  
C. Reorganising internal controls would help in improving fraud prevention  
D. None of the above (1 mark)

31. An effective environment in regard to fraud prevention is an environment with \_\_\_\_\_.  
A. an internal control system that is integrated with preventive and detective controls  
B. strong internal controls  
C. enhanced controls  
D. an internal control system integrated with preventive controls (1 mark)

32. Which one of the following statements is **INACCURATE** in regard to the auditors' responsibility for fraud while auditing financial statements?  
A. International Standard on Auditing (ISA 240) has put express responsibility on the auditors to detect fraud in the course of auditing financial statements  
B. Auditors have responsibility for identifying fraud risks in all the processes  
C. Auditors have a responsibility for identifying red flags of fraud in all the processes  
D. International Standard on Auditing (ISA 240) has put express responsibility on the auditors to investigate any material fraud detected during the audit of financial statements (1 mark)

33. Which one of the following statements is **ACCURATE** in regard to situational pressure to commit fraud?  
A. "Management is engaging in corruption, so it is okay"  
B. "I deserve more compensation for the work I am doing"  
C. "We need to be show high performance"  
D. None of the above (1 mark)

34. Which one of the following **BEST** describes an auditor's responsibility for evaluating the effectiveness of the internal control system?  
A. Primary responsibility

- B. Ultimate responsibility
- C. Overall responsibility
- D. None of the above

(1 mark)

35. Which one of the following statements is **INACCURATE** in regard to fraud and internal controls?

- A. Absence of internal controls is a red flag of fraud
- B. Absence of internal controls is a root cause of fraud
- C. Absence of internal controls is not a root cause of fraud
- D. None of the above

(1 mark)

36. Which one of the following is **NOT** a process of ensuring compliance in an organisation?

- A. Continuous monitoring of the compliance program
- B. Fraud audit facilitated by non-compliance
- C. Periodic evaluation of the compliance program
- D. On-going evaluation of the compliance program

(1 mark)

37. Which one of the following statements is **ACCURATE** in regard to evaluation of an organisation's fraud prevention health where it has not engaged an independent anti- fraud consultant to evaluate the fraud prevention components?

- A. Fraud risk oversight components would score 10 out of 20 points if the board has developed fraud policies and strategy for fraud prevention
- B. Fraud risk assessment component would score 5 points out of 10 if the organisation has conducted a formal structured risk assessment
- C. Proactive detection component would score 8 out of 10 points if most of the detective controls were in place
- D. None of the above

(1 mark)

38. Which one of the following statements is **ACCURATE** in regard to compromised internal controls?

- A. Compromised internal controls are always ineffective
- B. Compromised internal controls can be effective if they are enforced with soft controls
- C. Compromised internal controls need to be enhanced for them to be effective
- D. None of the above

(1 mark)

39. Which one of the following statements **BEST** describes the fraud risk associated with overwhelming desire for wealth?

- A. Situational pressure
- B. Sense of entitlement
- C. Social pressure
- D. Financial pressure

(1 mark)

40. Which one of the following statements describes the **BEST** assessment method of employee's integrity? Employees integrity \_\_\_\_\_.

- A. is assessed by testing if they can engage in corrupt or fraudulent activities
- B. can be assessed by evaluating the culture of the organisation
- C. can be assessed by the number fraud incidences
- D. can be assessed by evaluating incidences of non-compliance

(1 mark)

41. Which one of the following statements is **NOT** accurate in regard to elements that facilitate fraudulent activities?

- A. Rationalisation to commit fraud is a root cause of fraud
- B. Rationalisation to commit fraud is a risk of fraud

C. Rationalisation to commit fraud can be mitigated by a comprehensive code of ethics  
D. Rationalisation to commit fraud can be mitigated by proactive fraud detection (1 mark)

42. Which one of the following statements is **NOT** accurate in regard to perception of detection in relation to fraud risk management?  
A. Low perception of detection is a motivating factor for fraudulent activity  
B. Low perception of detection risk can be mitigated by detective controls  
C. Low perception of detection risk can be mitigated by strong separation of duties  
D. Low perception of detection is a root cause of fraudulent activities (1 mark)

43. Which one of the following **BEST** describes a fraud scheme associated with financial pressure?  
A. Financial reporting  
B. Embezzlement  
C. Corruption  
D. Disbursements (1 mark)

44. Which one of the following controls can effectively eliminate the incidences of fraud?  
A. Fraud risk assessment  
B. Analytical data review  
C. Proactive forensic audits  
D. None of the above (1 mark)

45. Which one of the following statements is **ACCURATE** in regard to proactive and reactive audits?  
A. Surprise audit is a reactive measures aimed at detecting any fraudulent activities  
B. Surprise audit is a proactive measures aimed at detecting fraud  
C. Surprise audit should be conducted only when there is suspicion of fraud  
D. An organisation should not inform employees about their intention to be conducting regular surprise audits as a best practice of fraud prevention (1 mark)

46. Which one of the following parties have the overall responsibility for creating a culture of zero tolerance for fraudulent and corrupt activities?  
A. Managers and supervisors  
B. Internal auditor  
C. The board  
D. Management (1 mark)

47. According to the 2024 report to the nations, which one of the following methods detected more than 40% of cases in the study?  
A. Tips  
B. Internal audit  
C. Management review  
D. External audit (1 mark)

48. Which one of the following statements is **NOT** accurate according to 2024 report to the nations fraud statistics?  
A. Fraud perpetrated by executives/owners was seven times of those perpetrated by employees  
B. Larger percentage of the frauds in the case study were perpetrated by employees

C. In more than 80% of the cases the perpetrators had shown red flags  
D. The highest fraud median loss was caused by employees and it was also the most common type of fraud (1 mark)

49. Brian, a Certified Fraud Examiner (CFE), locks the door to the interview room and refuses to allow the fraud suspect to leave. Which one of the following statements is **TRUE** in regard to the fraud examiners conduct?  
A. This conduct would not be a violation of the ACFE Code of Professional Ethics under any circumstances  
B. This conduct would be a violation of the ACFE Code of Professional Ethics  
C. This conduct would be a violation of the ACFE Code of Professional Ethics only if Brian knew the conduct was illegal  
D. This conduct would be a violation of the ACFE Code of Professional Ethics only if the suspect was innocent of fraud (1 mark)

50. Which one of the following statements is **ACCURATE** in regard to disclosure of confidential client information?  
A. Confidential information provided to a fraud examiner by a client is considered privileged and therefore legally exempt from disclosure in all circumstances  
B. A fraud examiner is only allowed to respond to a legal court order when their client grants them authorisation to do so  
C. A fraud examiner can reveal confidential client information when responding to a legal court order  
D. A fraud examiner is always bound by confidentiality, even when refusing to disclose information violates the law. (1 mark)

## SECTION II (50 MARKS)

51. Discuss **FIVE** challenges of fraud and corruption prevention in an organisation. **(Total: 20 marks)**

52. Evaluate **FIVE** methods of demonstrating zero tolerance for fraudulent and corrupt activities in an organisation. **(Total: 15 marks)**

53. Explain **FIVE** reasons why increasing perception of detection helps in fraud prevention. **(Total: 10 marks)**

54. Identify **FIVE** fraud prevention check list components. **(Total: 5 marks)**

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

#### PILOT PAPER

MARCH 2025.

Time Allowed: 3 hours.

**Answer ALL questions. This paper has two Sections. SECTION I consists of fifty (50) Multiple Choice Questions carrying fifty (50) marks. SECTION II has four (4) structured questions carrying fifty (50) marks. Marks allocated to each question are indicated at the end of the question.**

#### SECTION I (50 MARKS)

1. Which one of the following statements is **NOT** accurate in regard to increasing perception of detection?
  - A. To increase the perception of detection, parties in the organisation should not be informed beforehand about activities like surprise audits
  - B. To increase the perception of detection parties in the organisation should be made aware that the organisation could conduct surprise audits
  - C. A surprise audit is a proactive fraud prevention activity that helps to increase the perception of detection
  - D. A surprise audit is a positive reinforcement measure, that helps to increase the perception of detection

(1 mark)

**ANSWER: A**

2. Which one of the following statements **BEST** describes the component that creates a foundation for the internal control system?
  - A. Proactive detection
  - B. Risk ownership
  - C. Fraud risk tolerance and risk management
  - D. Control environment

(1 mark)

**ANSWER: D**

3. Which one of the following statements **BEST** describe positive reinforcement measure?
  - A. Positive reinforcement measures help to enhance the internal controls
  - B. Segregation of duties are examples of positive reinforcement measures
  - C. Positive reinforcement measures are examples of strong controls
  - D. Positive reinforcement measures are examples of soft controls

(1 mark)

**ANSWER: D**

4. Which one of the following statements is **NOT** accurate in regard to Certified Fraud Examiners assignments?
  - A. A Certified Fraud Examiner cannot accept an assignment where he/she has a major interest
  - B. A Certified Fraud Examiner must be an accountant to conduct a forensic audit assignment
  - C. A Certified Fraud Examiner can accept an assignment where he/she has a major interest
  - D. None of the above

(1 mark)

**ANSWER: A**

5. Which one of the following statements is **NOT** accurate in regard to the external auditor's responsibility for fraud?

- A. International Standard on Auditing (ISA 240) has put express responsibility on the auditor to detect fraud in the course of auditing financial statements
- B. Auditors have a responsibility for identify fraud risks in all the processes
- C. Auditors have a responsibility for detecting risks and red flags of fraud
- D. None of the above

(1 mark)

**ANSWER: C**

6. Which one of the following statements does **NOT** describe the pressure leg of the fraud triangle?

- A. "I am in a financial crisis"
- B. "I need money to repay my debts"
- C. "Possibility of detection is very high"
- D. "I have an emergency; I have no other way to solve the problem"

(1 mark)

**ANSWER: C**

7. According to International Standard on Auditing (ISA 240), the auditor is only concerned with fraud that \_\_\_\_\_.  

- A. is perpetrated by management and not employees
- B. perpetrated through collusion
- C. causes misstatements in the financial statements
- D. none of the above

(1 mark)

**ANSWER: D**

8. Which one of the following statements does **NOT** describe a justification made by businesses for their misconduct?

- A. The purpose for violations is to secure employees' jobs
- B. Compliance with government regulations is too expensive
- C. The damage is shared among a large number of consumers
- D. None of the above

(1 mark)

**ANSWER: D**

9. According to COSO, an internal control system should be designed to provide reasonable assurance in the achievement of the organisation's objectives. Which one of the following is **NOT** one of the objectives?

- A. The effectiveness and efficiency of the organisation's operations
- B. To maximise profits
- C. The organisation's compliance with the laws and regulations.
- D. None of the above

(1 mark)

**ANSWER: B**

10. Which one of the following principles is **NOT** a core principle of sound corporate governance?

- A. Responsibility
- B. Integrity
- C. Accountability
- D. None of the above

(1 mark)

**ANSWER: B**

11. Which one of the following parties is responsible for providing oversight over the design and implementation of the organisation's fraud prevention program?

- A. The management
- B. Internal auditors
- C. External auditors
- D. None of the above

(1 mark)

**ANSWER: D**

12. Which one of the following parties has responsibility for the design implementation and monitoring of the effectiveness of the fraud risk management program?

- A. Risk officer
- B. External audit
- C. Compliance officer
- D. None of the above

(1 mark)

**ANSWER: D**

13. Which one of the following statements is **ACCURATE** in regard to internal control system?

- A. An effective internal control system can mitigate fraud risks to a tolerance level
- B. Absence of internal controls is the major root cause of fraud
- C. Red flags and risks of fraud are evidence of fraud
- D. None of the above

(1 mark)

**ANSWER: A**

14. Which one of the following statements is **NOT** accurate in regard to white collar offenders?

- A. White collar defendants are less likely to plead guilty
- B. White collar defendants are more likely to plead guilty
- C. White collar defendants are more likely to be jailed
- D. None of the above

(1 mark)

**ANSWER: B**

15. Which one of the following theories **BEST** describes the use of threat of criminal sanctions?

- A. Prevention
- B. Deterrence
- C. Compliance
- D. None of the above

(1 mark)

**ANSWER: B**

16. Which one of the following parties in an organisation has responsibility for providing the first line of defense against fraud and corruption?

- A. Internal auditor
- B. Risk manager
- C. Compliance manager
- D. Heads of departments

(1 mark)

**ANSWER: D**

17. Organisations should make efforts to control corporate crime. Which one of the following is an example of an approach that they should include?

- A. Internal audit
- B. Fraud hotlines
- C. Voluntary changes in corporate attitudes
- D. All of the above

(1 mark)

**ANSWER: C**

18. Which one of the following statements **BEST** describes the category of crime perpetrated by the directors and senior management?

- A. Organisational crime
- B. Occupational crime
- C. Economic crime
- D. None of the above

(1 mark)

**ANSWER: A**

19. Which one of the following statements is **NOT** accurate in regard to the COSO control environment of an organisation?

- A. It provides a foundation for all other controls
- B. Sets the moral and ethical tone of the organisation
- C. It sets clear organisational objectives to enable assessment of risk associated with the achievement of the objectives
- D. None of the above

(1 mark)

**ANSWER: C**

20. Which one of the following statements is **ACCURATE** in regard to white-collar crime?

- A. In white-collar crime cases like corruption, the higher the offender's status, the more likely the individual will not be incarcerated
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will not be found guilty
- D. None of the above

**ANSWER: C**

21. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control-Integrated Framework?

- A. Control Environment
- B. Control activities
- C. Information and communication
- D. Monitoring

**ANSWER: D**

22. Which one of the following aspects is **NOT** accurate in regard to a corporation's board of directors?

- A. The director's responsibility is to represent shareholders only
- B. The directors are generally elected by the company stakeholders
- C. The directors provide management responsibility for business operations by assessing the strategy and underlying purpose of management's decisions and actions
- D. None of the above

(1 mark)

**ANSWER: D**

23. According to the 2024 ACFE Report to the Nations, which one of the following methods is the second common fraud detection method?

- A. Internal audit
- B. External audit
- C. Management review
- D. None of the above

(1 mark)

**ANSWER: A**

24. Which one of the following statements is **NOT** a measure that can be used to evaluate an organisation's corporate culture effectively?

- A. Statements from the board and management in regard to their zero tolerance for fraud
- B. The tone at the top
- C. Management's inconsistent disciplinary measures
- D. Management's response to fraudulent activities

(1 mark)

**ANSWER: C**

25. Which one of the following statements is **NOT** accurate in regard to OECD principles of Corporate Governance?

- A. The OECD Principles of Corporate Governance support establishing equal protection for foreign shareholders than domestic shareholders
- B. The OECD Principles of Corporate Governance support establishing equal protection for domestic shareholders than foreign shareholders
- C. The OECD Principles of Corporate Governance support equitable treatment for all shareholders
- D. The OECD Principles of Corporate Governance support establishing stronger protection for minority shareholders, because they are more vulnerable

(1 mark)

**ANSWER: D**

26. According to the OECD principles of corporate governance, which one of the following statements is **NOT** accurate in regard to an entity's corporate governance framework?

- A. Ensure proportionate treatment according to shareholding
- B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs
- C. Ensure the timely and accurate disclosure of all material matters regarding the corporation
- D. None of the above

(1 mark)

**ANSWER: A**

27. Which one of the following parties is responsible for holding the board of directors accountable for the company's resources?

- A. The stakeholders
- B. The regulatory authority
- C. Executive board
- D. Shareholders

(1 mark)

**ANSWER: D**

28. Which one of the following recommendations is **NOT** a recommendation of the Treadway Commission to the audit committee to prevent financial statements fraud?

- A. To be informed and vigilant
- B. To have adequate resources and authority
- C. To provide oversight over management
- D. To have a written charter

(1 mark)

**ANSWER: C**

29. Which one of the following parties is responsible for providing oversight over employees?

- A. Managers and supervisors
- B. External auditors
- C. The board of directors
- D. Management

(1 mark)

**ANSWER: D**

30. Which one of the following entities is an example of an organisation that must have effective corporate governance?

- A. A limited company
- B. A sole proprietor enterprise
- C. A public limited company
- D. A limited partnership enterprise

(1 mark)

**ANSWER: C**

31. Which one of the following parties **BEST** describes oversight responsibilities of different parties for an organisation's direction, operations and performance?

- A. Management
- B. Audit committee
- C. Corporate compliance
- D. None of the above

(1 mark)

**ANSWER: D**

32. Which one of the following principles **BEST** describes the principle related to clarity, accuracy, completeness and timeliness of the financial statements and other information provided by management to shareholders?

- A. Fairness
- B. Accountability
- C. Transparency
- D. Responsibility

**ANSWER: C**

33. Which one of the following methods is the **MOST** effective method of fraud prevention?

- A. Designing and implementing detective controls
- B. Designing and implementing preventive controls
- C. Designing and implementing strong controls
- D. Enhancing the internal controls

(1 mark)

**ANSWER: A**

34. Which one of the following statements **BEST** describes reengineering of controls?

- A. Reengineering of controls involve enhancing the controls
- B. Reengineering of controls involve enforcing the controls
- C. Reengineering of controls is a science of reorganising the existing controls
- D. Reengineering of controls is an art of reorganising the existing controls

(1 mark)

**ANSWER: D**

35. Which one of the following is **NOT** a control environment principle of the COSO, that supports the design and implementation of an effective control environment?

- A. Personnel at all levels demonstrate commitment to integrity and ethical values
- B. Board should be independent of management and oversee the design and implementation of the internal control
- C. Organisation holds internal auditors accountable for the effectiveness of the internal controls
- D. None of the above

(1 mark)

**ANSWER: C**

36. Which one of the following is **NOT** a fraud risk assessment principle of the COSO?

- A. The organisation sets clear objectives to enable the identification and assessment of risks relating to the objectives
- B. The organisation identify and detect the risks associated with the achievement of the objectives
- C. The organisation identify changes that would significantly impact the system of internal controls
- D. None of the above

(1 mark)

**ANSWER: B**

37. Which one of the following is among the board's responsibilities for fraud risk management?

- A. Design and implementation of controls to mitigate the risks
- B. Monitoring and proactively improving the fraud risk management programme
- C. Performing and regularly updating the fraud risk assessment
- D. None of the above

(1 mark)

**ANSWER: D**

38. Which one of the following topics should **NOT** be covered in employee anti-fraud training?

- A. A statement that management is going to respond to fraud allegation in a certain and swift manner
- B. A statements that management has no appetite for fraudulent activities
- C. An explanation of the exact methods that management is going to use in conducting fraud detection activities
- D. None of the above

(1 mark)

**ANSWER: C**

39. Lack of effective oversight over management and an ineffective internal control system are examples of which type of fraud risk associated with financial statements fraud?

- A. Rationalisation
- B. Pressure
- C. Opportunity
- D. Collusion

(1 mark)

**ANSWER: C**

40. Which one of the following parties is responsible for fraud prevention in an organisation?

- A. Internal auditors
- B. External auditors
- C. All employees
- D. Board of Directors

(1 mark)

**ANSWER: C**

41. Which one of the following statements is **NOT** accurate according to the differential reinforcement theory?

- A. Behavior is weakened by positive stimuli
- B. Behavior is weakened when punishment is avoided
- C. Behavior is reinforced when punishment is applied
- D. None of the above

(1 mark)

**ANSWER: C**

42. Which one of the following methods is **NOT** an effective method of increasing the perception of detection?

- A. Conducting fraud audits
- B. Establishing an effective fraud reporting program
- C. Conducting proactive forensic audits
- D. Conducting forensic audits

(1 mark)

**ANSWER: D**

43. Which one of the following principles is **NOT** a principle pertaining to the information and communication component of the COSO's Internal Control Integrated Framework?

- A. The organisation communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control internally
- B. The organisation implement control activities, to put the other controls into action
- C. The organisation obtains and uses relevant, quality information to support the functioning of internal control
- D. None of the above

(1 mark)

**ANSWER: B**

44. Which one of the following statements is **NOT** accurate in regard to the role of human resource in fraud prevention?

- A. Human resource has responsibility for assessing and maintaining high level of loyalty, which is a fraud prevention measure
- B. Human resource has responsibility for monitoring employee's lack of morale, which is a fraud risk
- C. Human resource can support in conducting fraud risk assessments
- D. Human resource function is the employee's fraud risk owner

(1 mark)

**ANSWER: D**

45. Which one of the following controls is **NOT** a control that employers can put in place to mitigate fraud risks associated with employees' "sense of entitlement"?

- A. Training and awareness
- B. Comprehensive code of ethics
- C. Anti- fraud policy
- D. Proactive forensic audit

(1 mark)

**ANSWER: D**

46. Fraud prevention health check-up is an inexpensive tool that can be used to evaluate an organisation's fraud prevention health. Which one of the following **BEST** describe the component that defines the integrity and culture of the organisation?

- A. Process level controls
- B. Control activities
- C. Fraud Risk tolerance and risk management policy
- D. Control environment

(1 mark)

**ANSWER: D**

47. According to B. F. Skinner, positive reinforcement measures are the most effective measures of modifying behavior. Which one of the following **BEST** describe positive reinforcement measure?

- A. Positive reinforcement measures help to enhance the internal controls
- B. Segregation of duties are examples of positive reinforcement measures
- C. Positive reinforcement measures enforce the internal controls
- D. None of the above

(1 mark)

**ANSWER: C**

48. Which one of the following should management **NOT** do to create an anti-fraud culture?

- A. Develop a comprehensive compliance program
- B. Demonstrate zero tolerance for fraud and unethical behavior
- C. Create an open-door policy environment
- D. Define zero appetite for fraud risks

(1 mark)

**ANSWER: D**

49. Which one of the following statements is **MOST ACCURATE** in regard to an organisation which has a culture of fraudulent and corrupt activities?

- A. The employees in the organisation have low personal integrity
- B. The organisation does not have strong controls in place
- C. The organisation has high tolerance for fraudulent and corrupt activities
- D. The organisation has an appetite for fraud and corruption risks

(1 mark)

**ANSWER: C**

50. Which one of the following statements **BEST** describes the fraud risk, "There is a lot of discrimination in this organisation"?

- A. Lack of loyalty
- B. Sense of entitlement
- C. Rationalisation
- D. None of the above

(1 mark)

**ANSWER: A**

## **SECTION II (50 MARKS)**

51. (a) Explain the **SEVEN** criteria of evaluating the fraud prevention health of an organisation. (14 marks)

(b) Discuss **THREE** major components of a health prevention check list. (6 marks)

**(Total: 20 marks)**

52. Evaluate **FIVE** positive reinforcement measures that can be used to prevent fraud. (Total: 15 marks)

53. Propose **FIVE** soft controls in relation that can help in fraud prevention. (Total: 10 marks)

54. Identify **FIVE** detective controls that can be designed and implemented to increase the perception of detection in the organisation. (Total: 5 marks)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

TUESDAY: 22 April 2025. Morning Paper.

Time Allowed: 3 hours.

Answer ALL questions. This paper has two sections. SECTION I consists of fifty (50) Multiple Choice Questions carrying fifty (50) marks. SECTION II has four (4) structured questions carrying (50) marks. Marks allocated to each question are indicated at the end of the question.

#### SECTION I (50 MARKS)

1. Which one of the following factors is **NOT** a factor of assessing the likelihood of occurrence of a fraud risk?
  - A. Past instances of a particular fraud in the organisation
  - B. Prevalence of the particular fraud at the organisation
  - C. Management support of fraud prevention initiatives
  - D. None of the above(1 mark)
  
2. Which one of the following parties is associated with the risk of override of controls?
  - A. Board of directors
  - B. Management
  - C. Employees
  - D. None of the above(1 mark)
  
3. Which one of the following parties has the primary responsibility for monitoring the effectiveness of the internal controls?
  - A. Board
  - B. Management
  - C. Internal auditors
  - D. Internal auditors and management(1 mark)
  
4. Which one of the following statements **BEST** describes entitlement fraud risk?
  - A. We can circumvent the controls to pay ourselves
  - B. We can override the controls and compensate ourselves adequately
  - C. Chances of being caught is very low
  - D. None of the above(1 mark)
  
5. Which one of the following is **NOT** a fraud risk?
  - A. Wrong tone at the top
  - B. Weak controls
  - C. Rationalisation
  - D. Low personal integrity(1 mark)

6. Which one of the following risks **BEST** describes pressure associated with meeting unrealistic financial targets?  
A. Situational pressure  
B. Financial pressure  
C. Social pressure  
D. Regulatory pressure (1 mark)

7. Which one of the following principles of the COSO component is associated with identifying and assessing changes that would significantly impact the system of internal controls?  
A. Risk assessment  
B. Fraud risk governance  
C. Control activity  
D. Monitoring (1 mark)

8. Which one of the following COSO components does **NOT** provide both preventive and detective controls?  
A. Control environment  
B. Risk assessment  
C. Control activities  
D. None of the above (1 mark)

9. Which one of the following is **NOT** an element of the fraud reporting mechanism under the fraud prevention check list?  
A. Organisation making clear communication that reports of suspicious fraud will be promptly responded to  
B. Employees trained on how to communicate  
C. Communication that the organisation has zero tolerance for fraudulent activities  
D. Reporting policies shall extend to third parties (1 mark)

10. Which one of the following controls can be designed and implemented to mitigate collusion risk?  
A. Adequate oversight  
B. Training and awareness  
C. Effective reporting programme  
D. Comprehensive compliance programme (1 mark)

11. Which one of the following statements is **ACCURATE** in regard to fraud controls?  
A. Fraud controls are hard controls that effectively prevent fraud  
B. Fraud controls are basic controls that effectively prevent fraud  
C. Fraud control is a process that is aimed at reducing incidences of fraud and also maximising detection  
D. Fraud controls are made of policies and control activities that minimise the occurrence of fraud while maximising detection of fraud respectively (1 mark)

12. Which one of the following components is a component of fraud prevention health checkup related to increasing the perception of detection?  
A. Fraud risk oversight  
B. Proactive detection  
C. Fraud risk assessment  
D. Control environment (1 mark)

13. Which one of the following parties is responsible for monitoring the effectiveness the compliance programme?  
A. Internal auditor  
B. Risk officer  
C. Management  
D. None of the above (1 mark)

14. Which one of the following parties has the primary responsibility for creating a culture of zero tolerance for fraudulent and corrupt activities?  
A. Managers and supervisors  
B. Internal auditor  
C. The board  
D. Management (1 mark)

15. Which one of the following statements is **ACCURATE** in regard to an organisation that has demonstrated zero tolerance for fraud?  
A. Management has designed and implemented strong controls  
B. Management has designed and implemented a case-to-case basis response  
C. Management has designed and implemented preventive controls  
D. None of the above (1 mark)

16. Which one of the following situations **BEST** describes an organisation's zero tolerance for fraudulent activity?  
A. Management has not put strong controls in place  
B. Board has developed fraud policy and strategy but is not providing oversight over the design and implementation of the fraud related controls  
C. The organisation conducts annual external audits  
D. None of the above (1 mark)

17. Which one of the statements is **NOT** accurate in regard to management's responsibility for fraud?  
A. The primary responsibility for the design and implementation of anti-fraud controls  
B. Establishing a culture of integrity and ethics  
C. Evaluating the effectiveness of anti-fraud related programmes  
D. Monitoring the effectiveness of anti-fraud related programmes (1 mark)

18. Which one of the following statements is **NOT** accurate in regard to positive reinforcement measures?  
A. Detective controls are positive reinforcement measures  
B. Detective controls are proactive measures  
C. Preventive controls are positive reinforcement measures  
D. Detective controls are reactive measures (1 mark)

19. Which one of the following statements is **ACCURATE** in regard to enhancing and enforcing of basic controls?  
A. Basic controls are supposed to be enforced to effectively prevent and detect fraud  
B. Basic controls are supposed to be enhanced to effectively prevent and detect fraud  
C. Basic controls that are well enhanced are effective in preventing and detecting fraud  
D. Strong basic controls are those that are well enforced (1 mark)

20. Which one of the following components **BEST** describe fraud prevention health check-up component that is related to the design and implementation of quality fraud related controls?

- A. Control activities
- B. Fraud risk tolerance and risk management policy
- C. Internal control environment
- D. Fraud risk oversight

(1 mark)

21. Which one of the following statements is **ACCURATE** in regard to enhancing and strengthening controls?

- A. Enhancing internal controls involves adding more controls while strengthening controls entails enforcing controls
- B. Enhancing controls involves integrating the internal controls with preventive and detective controls
- C. Enhancing internal controls involves reorganising controls while strengthening controls involve integrating the internal controls with preventive and detective controls
- D. None of the above

(1 mark)

22. Which one of the following statements **BEST** describes an effective internal control environment?

- A. It is an environment with an internal control system that is integrated with preventive and detective controls
- B. It is an environment with strong internal controls
- C. It is an environment with enhanced controls
- D. It is an environment with an internal control system integrated with preventive controls

(1 mark)

23. Which one of the following statements is **NOT** accurate in regard to the auditors' responsibility to consider fraud in accordance with International Standard on Auditing (ISA) 240?

- A. ISA 240 has put express responsibility on the auditors to detect fraud in the course of auditing financial statements
- B. Auditors have responsibility for identifying fraud risks in all the processes
- C. Auditors have a responsibility for identifying red flags of fraud in all the processes
- D. ISA 240 has put express responsibility on the auditors to investigate any material fraud detected during the audit of financial statements

(1 mark)

24. Which one of the following statements is **ACCURATE** in regard to justification to commit fraud?

- A. "Management is engaging in corruption, so it is okay"
- B. "I deserve more compensation for the work I am doing"
- C. "I can override controls"
- D. "I have an emergency; I have to help myself"

(1 mark)

25. Which one of the following aspects **BEST** describes the level of responsibility for evaluating the effectiveness on the internal controls?

- A. Primary responsibility
- B. Ultimate responsibility
- C. Secondary responsibility
- D. Overall responsibility

(1 mark)

26. Which one of the following statements is **NOT** accurate in regard to absence of internal controls?

- A. Absence of internal controls is not a red flag of fraud
- B. Absence of internal controls is a root cause of fraud
- C. Absence of internal controls is not a root cause of fraud
- D. None of the above

(1 mark)

27. Which one of the following steps is **NOT** a step of ensuring corporate compliance?

- A. Monitoring
- B. Auditing
- C. Periodic evaluation
- D. None of the above

(1 mark)

28. Which one of the following statements is **ACCURATE** in regard to fraud prevention health check- up scoring points?

- A. Fraud risk oversight components would score 18 out of 20 points if the board has developed fraud policies and strategy for fraud prevention
- B. Fraud risk assessment component would score 9 points out of 10 if the organisation has conducted a formal structured risk assessment
- C. Proactive detection component would score 8 out of 10 points if most of the detective controls were in place
- D. None of the above

(1 mark)

29. Which one of the following statements is **ACCURATE** in regard to weak internal controls?

- A. Weak controls are always ineffective
- B. Weak controls can be effective if they are enforced with soft controls
- C. Weak controls need to be enhanced for them to be effective
- D. None of the above

(1 mark)

30. Which one of the following statements **BEST** describes the fraud risk associated with expectations of more compensation?

- A. Lack of loyalty
- B. Sense of entitlement
- C. Lack of ownership
- D. Financial pressure

(1 mark)

31. Which one of the following statements describes the **BEST** method of measuring employee's integrity?

- A. Employees integrity is measured by testing if they can engage in corrupt or fraudulent activities
- B. Employees integrity can be measured by evaluating the culture of the organisation
- C. Employees integrity can be measured by the number of fraud incidences discovered
- D. Employees integrity can be measured by evaluating incidences of non-compliance

(1 mark)

32. Which one of the following aspects **BEST** describes the fraud risk associated with knowledge and technical skills to perpetrate and conceal fraud?

- A. Low personal integrity
- B. Rationalisation
- C. Opportunity
- D. Pressure

(1 mark)

33. Which one of the following statements is **ACCURATE** in regard to forensic audits and fraud prevention?

- A. Forensic audit can deter a potential fraudster from engaging in fraud
- B. Forensic audit can help to reduce incidences of fraud
- C. Forensic audit can help to proactively detect fraud
- D. Forensic audit can encourage a potential fraudster not to engage in fraud

(1 mark)

34. Which one of the following perceptions would be more **ACCURATE** in regard to management's tone at the top?

- A. Employee's perception
- B. Board's perception
- C. Internal auditor's perception
- D. External auditor's perception

(1 mark)

35. Which one of the following statements is **NOT** accurate in regard to integrity in forensic audits or fraud examination?

- A. A forensic auditor require independence of mind and avoidance of conflict of interest
- B. A forensic auditor should have very high level of moral philosophy
- C. A forensic auditor cannot make any ethical decision outside the professional code of ethics
- D. A forensic auditor must put the interest of the client before personal desires

(1 mark)

36. Which one of the following statements is **NOT** accurate according to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing?

- A. Internal auditor should assess the risks of fraud
- B. Internal auditor should audit for fraud
- C. Internal auditor should evaluate the effectiveness of the fraud risk management programme
- D. Internal auditor should continuously monitor the effectiveness of the fraud risk management programme

(1 mark)

37. Which one of the following statements is **NOT** accurate in regard to rationalisation to commit fraud?

- A. Rationalisation to commit fraud is a root cause of fraud
- B. Rationalisation to commit fraud is a risk of fraud
- C. Rationalisation to commit fraud can be mitigated by a comprehensive code of ethics
- D. Rationalisation to commit fraud can be mitigated by fraud audits

(1 mark)

38. Which one of the following statements is **NOT** accurate in regard to low perception of detection in relation to fraud prevention?

- A. Low perception of detection is a motivating factor for fraudulent activity
- B. Low perception of detection risk can be mitigated by detective controls
- C. Low perception of detection risk can be mitigated by preventive controls
- D. Low perception of detection is a root cause of fraudulent activities

(1 mark)

39. Which one of the following aspects **BEST** describes an area related to situational pressure?

- A. Financial reporting
- B. Asset misappropriation
- C. Corruption
- D. Disbursements

(1 mark)

40. Which one of the following aspects **BEST** describes deciding on what is wrong and right and what to do under the circumstances?

- A. Ethical decision
- B. Moral principles
- C. Ethical values
- D. None of the above

(1 mark)

41. Which one of the following controls could help in enforcing controls to effectively reduce incidences of fraud?

- A. Fraud risk assessment
- B. Analytical data review

C. Proactive forensic audits  
D. Surprise audits (1 mark)

42. Which one of the following statements is **ACCURATE** in regard to surprise audits?  
A. Surprise audit is a reactive measure aimed at detecting any fraudulent activities  
B. Surprise audits should be part of the fraud prevention policy  
C. Surprise audit should be conducted when there is suspicion of fraud  
D. An organisation should not inform employees about surprise audits but rather take them by surprise (1 mark)

43. Which one of the following statements is **NOT** accurate according to the U.S Corporate Sentencing Guidelines that are required for a corporate compliance programme to be effective?  
A. Established standards and procedures to prevent criminal conduct  
B. Proper assignment of responsibility and oversight for the compliance programme  
C. Promotion and consistent enforcement of the programme through appropriate incentives for compliance and appropriate disciplinary measures for violations  
D. Promotion and consistent enforcement of the programme through appropriate incentives for compliance and appropriate disciplinary measures for violations (1 mark)

44. Which one of the following statements is **NOT** accurate in regard to the factors that lead to fraudulent activities, according to Dr. Steve Albrecht?  
A. Putting too much trust in key employees  
B. Trusting key employees  
C. Lack of clear lines of authority  
D. None of the above (1 mark)

45. Which one of the following controls is **ACCURATE** in regard to the most common type of anti-fraud controls according to the 2024 report to the nations?  
A. Code of ethics  
B. Internal audit  
C. Separation of duties  
D. Management review (1 mark)

46. Which one of the following aspects is an example of management review anti-fraud controls?  
A. Independent analytical reviews  
B. Internal audit  
C. External audit  
D. Reporting hotlines (1 mark)

47. According to the 2024 report to the nations, which one of the methods ranked third in fraud detection?  
A. Tips  
B. Internal audit  
C. Management review  
D. External audit (1 mark)

48. Which one of the following statements is **NOT** accurate in regard to fraud perpetrators according to 2024 report to the nations?  
A. Fraud perpetrated by executives or owners was seven times of those perpetrated by employees

B. Larger percentage of the frauds in the case study were perpetrated by employees  
C. In more than 80% of the cases the perpetrators had shown red flags  
D. The highest fraud median loss was caused by employees with one-year experience (1 mark)

49. Which one of the following statements is **ACCURATE** in regard to monitoring the effectiveness of the internal controls?  
A. Monitoring the effectiveness of the internal controls involves implementing control activities and procedures  
B. Monitoring the effectiveness of the internal controls involves checking if the five COSO components are in place  
C. Monitoring the effectiveness of the internal controls involves testing if the controls are working  
D. Monitoring the effectiveness of the internal controls involves checking if fraud has occurred (1 mark)

50. Which one of the following aspects is an example of board oversight over anti-fraud control?  
A. Independent analytical reviews  
B. Independent evaluations of anti-fraud programmes  
C. Forensic audits  
D. Reporting programmes (1 mark)

## SECTION II (50 MARKS)

51. Evaluate **FIVE** fraud risk principles of each of the COSO components that support the design and implementation of the COSO components. (Total: 20 marks)

52. Discuss **FIVE** preventive and detective controls that could be integrated into the internal control system to enforce the basic internal controls. (Total: 15 marks)

53. Describe **FIVE** differences between “internal controls” and “fraud prevention controls”. (Total: 10 marks)

54. Explain **FIVE** fraud related controls that are both preventive and detective. (Total: 5 marks)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 2 December 2024. Morning Paper.

Time Allowed: 3 hours.

This paper consists of one hundred (100) Multiple Choice Questions. Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. Each question is allocated one (1) mark.

1. Which one of the following parties in an organisation is associated with the risk of ineffective oversight?  
A. Board of directors  
B. Management  
C. Internal auditors  
D. External auditors (1 mark)
  
2. Which one of the following parties has the primary responsibility for monitoring controls and putting corrective measures in place?  
A. Board  
B. Management  
C. Internal auditors  
D. Internal auditors and management (1 mark)
  
3. Which one of the following parties in the organisation provides the first line of defence against fraud risk?  
A. Heads of department  
B. Internal auditors  
C. Board  
D. None of the above (1 mark)
  
4. Which one of the following **BEST** describes the fraud risk, “we are not adequately compensated for our efforts”?  
A. Greed  
B. Lack of loyalty  
C. High sense of entitlement  
D. Low sense of entitlement (1 mark)
  
5. Which one of the following fraud elements **BEST** describes greed?  
A. Pressure  
B. Perceived opportunity  
C. Justification  
D. Situational pressure (1 mark)

6. Which one of the following **BEST** describes pressure to meet financial targets?  
A. Situational pressure  
B. Financial pressure  
C. Social pressure  
D. Regulatory pressure (1 mark)

7. Which one of the following principles of the COSO components is associated with establishing the culture of the organisation?  
A. Risk assessment  
B. Control environment  
C. Control activity  
D. Monitoring (1 mark)

8. Which one of the following controls is provided by the COSO components?  
A. Detective controls  
B. Effective controls  
C. Preventive and detective controls  
D. Preventive controls (1 mark)

9. Which one of the following parties has the responsibility of evaluating the effectiveness of the internal control system?  
A. Board  
B. Management  
C. Audit committee  
D. Internal auditor (1 mark)

10. Which one of the following is **NOT** a component of the fraud prevention check list?  
A. Fraud prevention officer  
B. Fraud training and awareness  
C. Reporting programs  
D. Responsibility for fraud prevention (1 mark)

11. Which one of the following controls **CANNOT** help in mitigation of management override of controls risk?  
A. Adequate oversight  
B. Employees support program  
C. Surprise audits  
D. Comprehensive compliance program (1 mark)

12. Which one of the following controls **CANNOT** discourage employees from engaging in fraudulent activities?  
A. Forensic audits  
B. Surprise audits  
C. Independent reconciliations  
D. Fraud detection (1 mark)

13. Which one of the following is a component of fraud prevention health check-up that is associated with defining the organisation's fraud risk appetite?  
A. Fraud risk tolerance and risk management  
B. Fraud risk ownership  
C. Fraud risk assessment  
D. Fraud risk oversight (1 mark)

14. Which one of the following parties is responsible for monitoring the effectiveness of the fraud risk management program?  
A. Internal auditor  
B. Risk officer  
C. Management  
D. Board of directors (1 mark)

15. Which one of the following parties is responsible for establishing a culture of ethics and integrity in an organisation?  
A. Managers and supervisors  
B. Internal auditor  
C. The board of directors  
D. Management (1 mark)

16. Which one of the following parties is responsible for providing direction of establishing a culture of ethics and integrity in an organisation?  
A. Management  
B. Board of directors  
C. Internal auditors  
D. External auditors (1 mark)

17. Which one of the following **BEST** describes the culture of an organisation that does not respond promptly to reports of fraud?  
A. High tolerance for fraudulent activities  
B. Gross negligence in fraud prevention  
C. Unethical culture  
D. High tolerance for fraud risks (1 mark)

18. Which one of the follow parties have responsibility for monitoring the effectiveness of an organisation's anti-fraud related programs?  
A. Management  
B. Audit committee  
C. Corporate compliance  
D. Internal auditor (1 mark)

19. Which one of the following statements is **NOT** accurate in regard to detective controls?  
A. Detective controls are positive reinforcement measures  
B. Detective controls are soft controls  
C. Detective controls encourage employees not to engage in fraudulent activities  
D. Detective controls discourage employees not to engage in fraudulent activities (1 mark)

20. Which one of the following **BEST** describes the purpose of reengineering of controls?  
A. The purpose is to enhance the controls  
B. The purpose is to enforce the controls  
C. The purpose is to reduce opportunity of collusion  
D. The purpose is to strengthen the controls (1 mark)

21. Which one of the following principles is associated with setting clear objectives to enable the identification and assessment of fraud risks?  
A. Fraud risk assessment principle  
B. Fraud control activities principle  
C. Fraud monitoring activities principle  
D. Control environment principle (1 mark)

22. Which one of the following statements is **ACCURATE** in regard to a fraudulent and corrupt organisation environment?  
A. Fraudulent and corrupt organisation environment reflects on the board  
B. Fraudulent and corrupt organisation environment reflects on individuals  
C. Fraudulent and corrupt organisation environment reflects on the internal auditors  
D. Fraudulent and corrupt organisation environment reflects on the external auditors (1 mark)

23. Which one of the following statements is **NOT** accurate in regard to employee's anti-fraud training?  
A. The training should be conducted for both employees and management  
B. The training should be conducted annually  
C. The training should include details of how the organisation will conduct fraud detection  
D. The training should include information about the organisation's attitude towards fraudulent activities (1 mark)

24. Which one of the following is a fraud risk associated with financial crisis?  
A. Rationalisation  
B. Pressure  
C. Opportunity  
D. Situational pressure (1 mark)

25. Which one of the following **BEST** describes fraud prevention health check-up component that is related to integrating anti-fraud controls in all the processes?  
A. Fraud control activities  
B. Fraud risk tolerance and risk management policy  
C. Internal control environment  
D. None of the above (1 mark)

26. Which one of the following statements **BEST** describes the difference between enhancing and enforcing controls?  
A. Enhancing internal controls involves adding more controls while enforcing controls involve integrating the internal controls with preventive and detective controls  
B. Enhancing internal controls involves reorganising controls while enforcing controls involve integrating the internal controls with preventive and detective controls  
C. Enhancing and enforcing controls involves the same exercise  
D. Enhancing internal controls involves replacing controls while enforcing controls involve integrating the internal controls with preventive and detective controls (1 mark)

27. Which one of the following statements **BEST** describes an environment with zero tolerance for fraudulent behavior?

- A. It is an environment with an internal control system that is integrated with preventive and detective controls
- B. It is an environment with strong internal controls
- C. It is an environment with effective internal controls
- D. It is an environment with an internal control system integrated with preventive controls

(1 mark)

28. Which one of the following statements is **NOT** accurate in regard to the statutory auditor's responsibility for fraud?

- A. International Standard on Auditing (ISA) 240 has put express responsibility on the auditors to detect fraud in the course of auditing financial statements
- B. Auditors have responsibility for identifying fraud risks in all the processes
- C. Auditors have a responsibility for identifying red flags of fraud in all the processes
- D. International Standard on Auditing (ISA) 240 has put express responsibility on the auditors to collect evidence of any fraud detected during the audit of financial statements

(1 mark)

29. Which one of the following statements is **NOT** accurate in regard to the pressure to commit fraud?

- A. "I am in frustrated by the personnel practices"
- B. "I deserve more compensation for the work I am doing"
- C. "I can override controls"
- D. "I have an emergency; I have to help myself"

(1 mark)

30. According to International Standard on Auditing (ISA) 240, the auditor is only concerned with fraud that \_\_\_\_\_.

- A. is perpetrated by management and employees
- B. causes misappropriation of assets
- C. causes misstatement in the financial statements
- D. causes material misstatement in the financial statements

(1 mark)

31. Which one of the following statements is **NOT** accurate in regard to the justification by corporates for their business misconduct?

- A. The purpose for violations is to retain employees' jobs
- B. Compliance with government regulations are too expensive
- C. The damage is shared among a large number of consumers
- D. The purpose for violation is to have a competitive edge over the others

(1 mark)

32. Which one of the following is **NOT** a core principle of corporate governance?

- A. Responsibility
- B. Integrity
- C. Accountability
- D. Transparency

(1 mark)

33. Which one of the following parties has the overall responsibility for responding to fraudulent and corrupt activities?

- A. The management
- B. Internal auditors
- C. External auditors
- D. Audit committee

(1 mark)

34. Which one of the following **BEST** describes the level of responsibility for the design, implementation and monitoring of the effectiveness of the internal controls?

- A. Primary responsibility
- B. Ultimate responsibility
- C. Secondary responsibility
- D. Overall responsibility

(1 mark)

35. Which one of the following statements is **ACCURATE** in regard to risks and red flags of fraud?

- A. An integrated internal control framework can mitigate all types of fraud risks, to the origination's risk appetite level
- B. Organisations should respond to red flags by conducting a forensic audit
- C. Organisations should respond to risks of fraud by conducting a forensic audit
- D. Organisations should respond to high risks of fraud by conducting a fraud audit

(1 mark)

36. Which one of the following **BEST** describes fraud risk management strategy that use threat of criminal sanctions?

- A. Prevention
- B. Detection
- C. Investigation
- D. Deterrence

(1 mark)

37. Which one of the following risk factors is associated with putting too much trust in key employees?

- A. Living beyond means
- B. Overriding of controls
- C. Rationalisation
- D. Financial pressure

(1 mark)

38. Which one of the following is the **BEST** method to control organisational fraudulent culture?

- A. Putting strong controls in place
- B. Establishing fraud hotlines
- C. Increasing the perception of detection
- D. Government intervention

(1 mark)

39. Which one of the following statements is **NOT** accurate in regard to the control activities of an organisation?

- A. Control activities set the ethical tone of an organisation
- B. Control activities help in monitoring the effectiveness of the fraud controls
- C. Control activities include preventive and detective controls
- D. Control activities help in identifying and assessing an organisation's fraud risks

(1 mark)

40. Which one of the following statement is **ACCURATE** in regard to conviction of white-collar crime?

- A. In white-collar crime cases like corruption, the higher the offender's status, the more likely the individual will not be imprisoned
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will be found guilty
- D. In white-collar crime cases, the higher an offender's status, the more likely the individual will be acquitted

(1 mark)

41. Which one of the following COSO's internal control-integrated framework is related to evaluation and communication of the COSO components?  
A. Control environment  
B. Control activities  
C. Information and communication  
D. Monitoring (1 mark)

42. Which one of the following statements is **ACCURATE** in regard to preventive controls?  
A. Preventive controls alone cannot effectively reduce fraud  
B. Preventive controls can effectively reduce fraud  
C. Preventive controls are the same as basic controls  
D. Preventive controls are a process of providing reasonable assurance (1 mark)

43. Which one of the following statements is **ACCURATE** in regard to eliminating fraud in an organisation?  
A. An effective internal control system can eliminate fraud  
B. An organisation with zero tolerance for fraudulent activities can eliminate fraud  
C. Quality preventive and detective controls can eliminate fraud  
D. An organisation with zero tolerance for fraudulent activities cannot eliminate fraud (1 mark)

44. Which one of the following statements is **ACCURATE** in regard to a fraud examiner expressing opinions and making recommendations?  
A. A fraud examiner should not express an opinion of liability in a fraud investigation report  
B. A fraud examiner should not make recommendations for sanctions  
C. A fraud examiner can make recommendations on corrective measures to be put in place  
D. A fraud examiner should not express any opinion at all (1 mark)

45. Which one of the following is **ACCURATE** in regard to embezzlers?  
A. Embezzlers are usually trusted employees  
B. Embezzlers have a sense of ownership  
C. Embezzlers have prior criminal records  
D. Embezzlers usually have previous history of dishonesty (1 mark)

46. The primary responsibility for monitoring and improving the compliance program rests with \_\_\_\_\_.  
A. internal auditor  
B. management  
C. board of directors  
D. compliance officer (1 mark)

47. Which one of the following **BEST** describes a soft control?  
A. Proactive detection measures  
B. Segregation of duties  
C. Special audits  
D. Physical controls (1 mark)

48. Which one of the following controls is both preventive and has control?  
A. Segregation of duties  
B. Fraud awareness training  
C. Hiring policies  
D. Fraud audits (1 mark)

49. Which one of the following statements is **ACCURATE** in regard to conflict of interest in professional engagements?  
A. A Certified Fraud Examiner cannot accept an assignment where he has a conflict of interest  
B. A Certified Fraud Examiner can accept an assignment where he has interest  
C. An accountant can accept an assignment where he has a conflict of interest  
D. Both an accountant and a fraud examiner can accept an assignment where he has conflict of interest as long as he discloses the interest (1 mark)

50. Which one of the following parties is responsible for the tone at the top?  
A. The management  
B. Internal auditors  
C. External auditors  
D. Board of directors (1 mark)

51. Which one of the following parties in an organisation has the final responsibility for compliance with laws and regulatory requirements?  
A. Board  
B. Management  
C. Compliance officer  
D. Internal auditor (1 mark)

52. Which one of the following parties in an organisation has responsibility for providing the third line of defense against fraud risks?  
A. Management  
B. Risk officer  
C. Internal auditor  
D. Heads of departments (1 mark)

53. Which one of the following statements is **NOT** accurate in regard to destructive behavior like fraudulent and corrupt activities?  
A. Destructive behavior can be modified  
B. It is not possible to change an individual's destructive behavior  
C. Destructive behavior can be modified through detective controls  
D. It is the responsibility of the board and management to modify behavior at workplace (1 mark)

54. Which one of the following statements is **ACCURATE** in regard to absence of internal controls?  
A. Absence of internal controls is not a red flag of fraud  
B. Absence of internal controls is a root cause of fraud  
C. Absence of internal controls is not a root cause of fraud  
D. Absence of internal controls is a risk of fraud (1 mark)

55. Which one of the following principles of corporate governance is related to reporting structures within an organisation?  
A. Transparency  
B. Fairness  
C. Responsibility  
D. Accountability (1 mark)

56. Which one of the following parties has the primary responsibility for monitoring, compliance program?  
A. Internal Auditor  
B. Management  
C. Board of Directors  
D. Compliance Officer (1 mark)

57. Which one of the following is **NOT** a soft control that can enforce hard controls?  
A. Surprise audits  
B. Training and awareness  
C. Analytical data review  
D. Segregation of duties (1 mark)

58. Which one of the following **BEST** describes the type of control related to fraud awareness and training?  
A. Preventive controls  
B. Detective controls  
C. Hard controls  
D. Basic controls (1 mark)

59. Which one of the following parties has the primary responsibility for the design and implementation of fraud policies and strategy?  
A. Board  
B. Management  
C. Internal auditor  
D. Compliance officer (1 mark)

60. Which one of the following statements is **MOST** accurate in regard to enforcing of hard controls?  
A. Enforcing hard controls involves adding preventive and detective controls to the hard controls  
B. Enforcing hard controls involves adding basic controls to the hard controls  
C. Enforcing hard controls involves reengineering the hard controls  
D. Enforcing hard controls involves adding preventive controls to the hard controls (1 mark)

61. Which one of the following statements **BEST** describes board's responsibility for fraud risk management program?  
A. Conducting fraud risk assessment  
B. Monitoring and proactively improving the fraud risk management program  
C. Regularly updating the fraud risk management program  
D. Overall responsibility for the fraud risk management program (1 mark)

62. Which one of the following is an element of an effective reporting program?  
A. How to identify red flags and risks of fraud  
B. How to report fraud  
C. A third party fraud hotline  
D. Sanctions for fraudulent activities (1 mark)

63. Which one of the following statements is **NOT** accurate in regard to modifying desires at work place?  
A. Desires can be modified through soft controls  
B. Desires can be modified through punishment  
C. Desires can be modified through training and awareness  
D. Desires can be modified through control activities (1 mark)

64. Which one of the following is a procedure that helps to minimise the occurrence of fraud in an organisation?  
A. Strong management oversight  
B. Mandatory vacations  
C. Fraud awareness and training  
D. Fraud investigations (1 mark)

65. Which one of the following **BEST** describes the most effective procedure that organisations can put in place to mitigate fraud risks associated with employees' greed?  
A. Proactive forensic audits  
B. Financial audits  
C. Forensic audits  
D. Special audits (1 mark)

66. Which one of the following is **NOT** accurate in regard to a comprehensive ethics program?  
A. The ethics policy is part of the comprehensive ethics program  
B. In developing the policy management should consider how various members of the organisation define success  
C. In developing the policy management should consider the existing ethical tone set by management  
D. A comprehensive ethics program provides detective controls (1 mark)

67. Which one of the following code of ethics for fraud examiners is related to ensuring that engagements are completed with competence?  
A. Maintaining confidentiality  
B. Commitment to professionalism  
C. Continuous learning  
D. Loyalty (1 mark)

68. Which one of the following is **NOT** an objective of the fraud examiners code of ethics?  
A. Provide more specific solutions to professional ethical dilemmas that might not be found under general ethical principles  
B. Facilitate practical enforcement and profession-wide internal discipline  
C. To serve as an ethical reference and benchmark  
D. Provide specific solutions in all fraud investigation ethical issues (1 mark)

69. Which one of the following **BEST** describes an element of the fraud scale developed by Dr. Steve Albrecht?  
A. Rationalisation to perpetrate fraud  
B. Pressure to achieve targets  
C. Situational pressure  
D. Social pressure (1 mark)

70. Which one of the following **BEST** describes an activity would demotivate individuals in an organisation from perpetrating fraudulent and corrupt activities?  
A. Strong internal controls  
B. Regular forensic audits  
C. An anti-fraud policy  
D. Fraud detection audits (1 mark)

71. Which one of the following statements is **NOT** accurate in regard to fraud related controls?  
A. Fraud related controls must be well balanced for them to be effective  
B. Fraud related controls can help to detect fraud  
C. Fraud related controls help to enhance existing controls  
D. A well-balanced control system should have preventive controls (1 mark)

72. Which one of the following is statement is **MOST** accurate in regard to fraud related controls?  
A. Fraud related controls are made up of a set of rules and procedures which in their aggregate encourage and discourage potential fraudsters from engaging in fraud  
B. Fraud related control is a process that provide reasonable assurance in regard to fraud prevention  
C. Fraud related controls can eliminate fraudulent activities  
D. Fraud related control is a process that provide absolute assurance in regard to fraud prevention (1 mark)

73. Which one of the following statements is **ACCURATE** in regard to an auditor's responsibility for fraud while auditing financial statements?  
A. The auditor should assume that the financial statements are materially misrepresented  
B. The auditor should not assume that the financial statements are materially misrepresented  
C. The auditor should approach the audit from two perspectives, that fraud could have occurred or not  
D. The auditor can only assume that the financial statements are materially misrepresented only if there is sufficient suspicion (1 mark)

74. Which one of the following statements is **ACCURATE** in regard to anti-fraud training?  
A. Formal training delivered in a class or workshop is the most effective anti-fraud training  
B. Cascading anti-fraud training can be the most effective method of anti-fraud training  
C. A fraud training should not include what methods the organisation will implement to detect fraud  
D. None of the above (1 mark)

75. Which one of the following fraud is associated with situational pressure?  
A. Concealment of expenditure  
B. Fraudulent disbursements  
C. Conflict of interest  
D. Inadequate disclosures (1 mark)

76. Which one of the following parties has the responsibility for coordinating fraud risk management in the organisation?  
A. Risk owners  
B. Chief Risk officer  
C. Internal auditors  
D. None of the above (1 mark)

77. Which one of the following is **NOT** one of the COSO fraud principles?  
A. Fraud risk oversight  
B. Information and communication  
C. Control activities  
D. Fraud risk management (1 mark)

78. Which one of the following statements is **NOT** accurate in regard to fraud prevention health check-up component?  
A. Fraud prevention health check-up is a useful tool for identifying fraud in the organisation  
B. Fraud prevention health check-up is a useful tool for identifying red flags of fraud in the organisation  
C. Fraud prevention health check-up is a useful tool for identifying fraud risks in the organisation  
D. Fraud prevention health check-up is a useful tool for identifying fraud prevention gaps in the organisation (1 mark)

79. Which one of the following statement is **ACCURATE** in regard to strong internal controls?  
A. For controls to be effective they must be strong  
B. Strong controls are those that are well designed, implemented and enforced  
C. Strong controls are preventive and detective  
D. None of the above (1 mark)

80. Which one of the following statements is **MOST** accurate in regard to an organisation that is very corrupt and fraudulent?  
A. The employees in the organisation have low personal integrity  
B. The organisation does not have strong controls in place  
C. The organisation has high tolerance for fraudulent and corrupt activities  
D. The organisation has an appetite for fraud and corruption risks (1 mark)

81. Which one of the following statements is **MOST** accurate in regard to an organisation that is very corrupt and fraudulent?  
A. The employees in the organisation have low personal integrity  
B. The organisation does not have strong controls in place  
C. The organisation has high tolerance for fraudulent and corrupt activities  
D. The organisation has an appetite for fraud and corruption risks (1 mark)

82. Which one of the following **BEST** describes the fraud risk, “there is a lot of discrimination in this organisation”?  
A. Lack of loyalty  
B. Sense of entitlement  
C. Rationalisation  
D. None of the above (1 mark)

83. Which one of the following is an effective method of sending a message across the organisation that condoning fraud will not be tolerated?  
A. Conducting routine audits  
B. Establishing an effective fraud reporting program  
C. Training and awareness  
D. Conducting forensic audits (1 mark)

84. Which one of the following statements is **ACCURATE** in regard to measuring of employee's integrity?  
A. Employees integrity is measured by testing if they can engage in corrupt or fraudulent activities  
B. Employees integrity is measured by evaluating the culture of the organisation  
C. Employees integrity is measured by the number fraud incidences discovered  
D. Employees integrity is measured by the tone at the top (1 mark)

85. Which one of the following statements is **NOT** accurate in regard to increasing the perception of detection?  
A. Increasing perception of detection is a fraud related control  
B. Increasing perception of detection is a positive reinforcement measure  
C. Increasing perception of detection involves putting control activities in place  
D. Conducting fraud investigation is a method of increasing perception of detection (1 mark)

86. Which one of the following **BEST** describes the fraud risk associated with unfair personnel practices?  
A. Lack of loyalty  
B. Sense of entitlement  
C. Rationalisation  
D. Pressure (1 mark)

87. Which one of the following is an effective method of sending a message across the organisation that fraudulent activities will not be tolerated?  
A. Conducting routine audits  
B. Establishing an effective fraud reporting program  
C. Conducting proactive forensic audits  
D. Conducting forensic audits (1 mark)

88. Which one of the following statements is **ACCURATE** in regard to measuring management's integrity?  
A. Management's integrity is measured by employees' perception of management's integrity  
B. Management's integrity is measured by the way management respond to fraudulent activities  
C. Management's integrity is measured by their commitment to fraud risk management  
D. Management's integrity is measured by testing if they can engage in fraud and corruption (1 mark)

89. Which one of the following is **NOT** an effective method of establishing a culture of ethics and integrity?  
A. Designing and implementing preventive and detective controls  
B. Designing and implementing hard controls  
C. Consistent disciplinary measures  
D. Establishing a comprehensive ethics program (1 mark)

90. Which one of the following statements is **NOT** accurate in regard to a forensic auditor and forensic audits?

- A. A forensic auditor requires independence of mind and avoidance of conflict of interest
- B. A forensic auditor should have very high level of integrity
- C. A forensic auditor should not make any ethical decision that is not strictly under the code professional code of ethics
- D. A forensic auditor must be able to subordinate personal desires

(1 mark)

91. According to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the internal auditor should **NOT** do which one of the following?

- A. Assess the risks of fraud
- B. Conduct fraud audit
- C. Evaluate the fraud risk management programs
- D. Investigate frauds detected during the audit

(1 mark)

92. Which one of the following **BEST** describes the justification to commit fraud?

- A. "Management is not responding to reports of fraud"
- B. "I need money to pay bills"
- C. "Chances of being caught are very low"
- D. "I have a fix I have no other way to solve the problem"

(1 mark)

93. Which one of the following statements describes opportunity risk element of fraud?

- A. "Management is engaging in conflict of interest"
- B. "I have an emergency need"
- C. "The board is not independent"
- D. "I am need to be paid better"

(1 mark)

94. Which one of the following statements is **ACCURATE** in regard to situational pressure?

- A. "Management and the board are taking bribes, so it cannot be that bad?"
- B. "I need money to solve my financial crisis"
- C. "The company liquidity ratio is below the mandatory level"
- D. "I have an emergency and I have no other way of solving the problem"

(1 mark)

95. Which one of the following **BEST** describes tension between personal standards and organisational goals?

- A. Ethical decision
- B. Moral principles
- C. Ethical values
- D. Ethical culture

(1 mark)

96. Which one of the following fraud principles is associated with assessing situations or circumstances that could significantly impact the internal control system?

- A. Fraud risk assessment
- B. Control environment
- C. Control activities
- D. Monitoring and evaluation

(1 mark)

97. Which one of the following soft controls can prevent and proactively detect fraud?  
A. Fraud risk assessment  
B. Analytical data review  
C. Proactive forensic audits  
D. Surprise audits (1 mark)

98. Which one of the following fraud controls deter potential fraudster from engaging in fraudulent activities?  
A. Segregation of duties  
B. Fraud awareness training  
C. Surprise audit  
D. Code of ethics (1 mark)

99. Which one of the following statements **BEST** describes mitigation of fraud risks?  
A. Mitigation of fraud risks involves strengthening of controls  
B. Mitigation of fraud risks involves integrating internal controls with positive reinforcement measures  
C. Mitigation of fraud risks involves reengineering of controls  
D. Mitigation of fraud risks involves enhancing of controls (1 mark)

100. Which one of the following statements is **NOT** accurate in regard to social control in a workplace?  
A. A workplace with no social control, is at very high risk of fraud  
B. Social control involves condemnations for misconduct which deter individuals from engaging in destructive behavior  
C. Employees at workplace fear condemnation from their colleagues and therefore deter individuals from perpetrating fraud  
D. Social control cannot deter a potential fraudster from engaging in fraudulent activities (1 mark)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 19 August 2024. Morning Paper.

Time Allowed: 3 hours.

This paper consists of one hundred (100) Multiple Choice Questions. Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. Each question is allocated one (1) mark.

1. Which one of the following is NOT a fraud risk associated with fraudulent financial reporting?  
A. Perceived situational pressure  
B. Pressure/incentives  
C. Opportunity  
D. Inadequate oversight (1 mark)
2. Which one of the following is a responsibility for the internal auditor in fraud risk management?  
A. Develop internal controls  
B. Conduct fraud risk assessment and develop a framework  
C. Assist management in fraud prevention  
D. Develop a fraud risk management program (1 mark)
3. Which one of the following is ACCURATE in regard to the internal auditor's line of defense against fraud and corruption?  
A. First line of defense  
B. Third line of defense  
C. Second line of defense  
D. Fourth line of defense (1 mark)
4. Which one of the following entities' auditors MUST adhere to IOSCO Principles for Auditor Oversight in regard to audit?  
A. Public companies  
B. Public entities  
C. Private companies  
D. All companies (1 mark)
5. Which one of the following is an element that facilitate fraud and BEST describes "Management seem to have high tolerance of fraud?"  
A. Rationalisation  
B. Opportunity  
C. Low personal integrity  
D. Situational pressure (1 mark)
6. Which one of the following fraud elements BEST describes strong sense of entitlement?  
A. Perceived pressure  
B. Perceived opportunity  
C. Justification  
D. Situational pressure (1 mark)

7. Which one of the following **BEST** describes situational pressure to perpetrate fraud?  
A. “Management are engaging in conflict of interest”  
B. “I need money to pay my debts”  
C. “We must conceal a substantial amount of expenditure”  
D. “I have an emergency; I must resolve it in whichever way” (1 mark)

8. Which one of the following principles of the COSO components involves assessing situations or circumstances that could significantly impact the internal control system?  
A. Risk assessment  
B. Control environment  
C. Control activity  
D. Monitoring (1 mark)

9. Which one of the following controls **MUST** be integrated with internal control system, for it to be effective?  
A. Strong controls  
B. Effective controls  
C. Preventive and detective controls  
D. Preventive controls (1 mark)

10. Which one of the following parties has responsibility for providing oversight over the internal control system?  
A. Board  
B. Management  
C. Audit committee  
D. Internal auditor (1 mark)

11. Which one of the following elements is **NOT** a component of the compliance program?  
A. Designated compliance officer  
B. Appropriate incentives for compliance with the program  
C. Strong controls  
D. Continuous evaluation of the compliance program (1 mark)

12. Which one of the following controls **CANNOT** help the treatment of rationalisation risk?  
A. Fraud awareness training  
B. Employees support program  
C. Surprise audits  
D. Comprehensive code of ethics (1 mark)

13. Which one of the following is **NOT** a fraud detective control?  
A. Forensic audits  
B. Management oversight  
C. Independent reconciliations  
D. Fraud detection (1 mark)

14. Which one of the following is a component of fraud prevention health check-up, that is related to the board of directors’ oversight over fraud risk management?  
A. Fraud risk governance  
B. Fraud risk tolerance  
C. Fraud risk assessment  
D. Fraud risk oversight (1 mark)

15. Which one of the following parties is responsible for evaluating the effectiveness of the fraud risk management program?  
A. Internal auditor  
B. Risk officer  
C. Management  
D. Board of directors (1 mark)

16. Which one of the following is **NOT** accurate in regard to an entity's OECD corporate governance framework?  
A. Ensure proportionate treatment based on the number of share  
B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs  
C. Ensure the timely and accurate disclosure of all material matters regarding the corporation  
D. None of the above (1 mark)

17. Which one of the following parties is responsible for holding the oversight body accountable for a company's resources?  
A. The stakeholders  
B. The regulatory authority  
C. Executive board  
D. None of the above (1 mark)

18. Which one of the following recommendations was made by the Treadway Commission to audit committees to prevent fraudulent financial reporting?  
A. To micro manage management  
B. To have advanced training  
C. To have authority  
D. None of the above (1 mark)

19. Which one of the following is responsible for providing oversight over employees?  
A. Managers and supervisors  
B. External auditors  
C. The board of directors  
D. None of the above (1 mark)

20. Which one of the following **BEST** describes the culture of an organisation that has not put in place measures to prevent and detect fraud?  
A. High tolerance for fraudulent and corrupt activities  
B. Lack of due diligence  
C. Complicated organisational structure  
D. High tolerance for fraud risks (1 mark)

21. Which one of the following **BEST** describes evaluation responsibilities for an organisation's programs.?  
A. Management  
B. Audit committee  
C. Corporate compliance  
D. Internal auditor (1 mark)

22. Which one of the following **BEST** describes the principle related to clarity, accuracy, completeness, and timeliness of the financial statements and other information provided by management to shareholders?  
A. Fairness  
B. Accountability  
C. Responsibility  
D. Transparency (1 mark)

23. Which one of the following **BEST** describes the most effective method of fraud risk management?  
A. Designing and implementing detective controls  
B. Designing and implementing preventive controls  
C. Designing and implementing strong controls  
D. Designing and implementing effective controls (1 mark)

24. Which one of the following **BEST** describes reorganisation of existing controls?  
A. Enhancing controls  
B. Enforcing controls  
C. Reengineering controls  
D. Strengthening controls (1 mark)

25. Which of the following is **MOST** accurate in regard to a control environment principle that supports the design and implementation of an effective control environment?

- A. Senior management demonstrate commitment to integrity and ethical values
- B. Board should be very close to management and oversee the design and implementation of the internal control
- C. Internal auditors should be held accountable for the effectiveness of the internal controls
- D. None of the above

(1 mark)

26. Which one of the following statements is **MOST** accurate in regard to fraud risk assessment principle?

- A. The organisation sets clear objectives to enable the detection and assessment of risks relating to the objectives
- B. The organisation detect the risks associated with the achievement of the objectives
- C. The organisation detect changes that would significantly impact the system of internal controls
- D. The organisation identify the risks associated with the achievement of the objectives

(1 mark)

27. Which one of the following is among the board's responsibilities for fraud risk management?

- A. Design and implementation of controls to mitigate the risks
- B. Monitoring the fraud risk management program
- C. Performing and regularly updating the fraud risk assessment
- D. Developing strategies to prevent and detect fraud

(1 mark)

28. Which one of the following topics should **NOT** be in employee anti-fraud training course contents?

- A. A statement that management is going to respond to fraud allegations effectively
- B. A statement that management, has no tolerance for fraudulent activities
- C. Dates for scheduled control activities
- D. Methods that management will use to proactively detect fraud

(1 mark)

29. Which one of the following is a fraud risk associated with compensation based on performance bonuses?

- A. Rationalisation
- B. Pressure
- C. Opportunity
- D. Situational pressure

(1 mark)

30. Which one of the following parties is responsible for assisting management in fraud prevention and detection in an organisation?

- A. Internal auditors
- B. External auditors
- C. All employees
- D. Board of directors

(1 mark)

31. Which one of the following **BEST** describes fraud prevention health check-up component, that is related to the culture of the organisation?

- A. Control activities
- B. Fraud risk tolerance and risk management policy
- C. Internal control environment
- D. None of the above

(1 mark)

32. Which one of the following statements **BEST** describes positive reinforcement measures?

- A. Positive reinforcement measures help to enhance the internal controls
- B. Segregation of duties are examples of positive reinforcement measures
- C. Positive reinforcement measures enforce the hard controls
- D. Positive reinforcement measures are enforced the hard controls

(1 mark)

33. Which one of the following should management **NOT** do to create a strong control environment?

- A. Develop a comprehensive compliance program
- B. Demonstrate zero tolerance for fraud and unethical behavior
- C. Create an open-door policy environment
- D. Define zero tolerance for fraud risks

(1 mark)

34. Which one of the following statements is **NOT** accurate in regard to the independent auditor's responsibility for fraud?

- A. International Standard on Auditing (ISA 240) has put express responsibility on the auditor to detect fraud in the course of auditing financial statements
- B. Auditors have a responsibility for identify fraud risks in all the processes
- C. Auditors have a responsibility for identify risks and red flags of fraud in all the processes
- D. None of the above

(1 mark)

35. Which one of the following does **NOT** describe the pressure leg of the fraud triangle?

- A. "I am in a financial crisis"
- B. "I need money to repay my debts"
- C. "I have the technical skills and knowledge to help myself"
- D. "I have an emergency; I have to help myself"

(1 mark)

36. According to International Standard on Auditing (ISA 240), the auditor is only concerned with fraud that

- A. is perpetrated by management and employees
- B. causes misappropriation of assets
- C. causes misstatement in the financial statements
- D. None of the above

(1 mark)

37. Organisation crime theorists, found that businesses justify illegal or noncompliant conduct. Which one of the following statements is **NOT** a justification made by the businesses for their behavior?

- A. The purpose for violations is to retain employees' jobs
- B. Compliance with government regulations are too expensive
- C. The damage is shared among a large number of consumers
- D. The purpose for violation to remain profitable

(1 mark)

38. According to COSO, an internal control system should be designed to provide reasonable assurance in the achievement of the organisation's objectives. Which one of the following is **NOT** one of these objectives?

- A. The effectiveness and efficiency of the organisation's operations
- B. To maximise income and profits
- C. The organisation's compliance with the laws and regulations.
- D. None of the above

(1 mark)

39. Which one of the following is **NOT** a core principle of sound corporate governance?

- A. Responsibility
- B. Confidentiality
- C. Accountability
- D. Transparency

(1 mark)

40. Which one of the following parties is responsible for providing oversight over the design and implementation of the organisation's fraud prevention program?

- A. The management
- B. Internal auditors
- C. External auditors
- D. The board

(1 mark)

41. Which one of the following parties has responsibility for the design, implementation and monitoring of the effectiveness of the fraud risk management program?

- A. Internal auditor
- B. External auditor
- C. Management
- D. Compliance officer

(1 mark)

42. Which one of the following statements is **ACCURATE** in regard to internal control system?

- A. An effective internal control system can mitigate all types of fraud risks to an acceptable level
- B. Red flags of fraud are sure indicators that fraud has occurred and the organisation should respond to such red flags by conducting a fraud investigation
- C. Absence of internal controls is not a root cause of fraud
- D. Risks of fraud are sure indicators that fraud has occurred and therefore the organisation should conduct a fraud investigation

(1 mark)

43. Which one of the following theories **BEST** describes the use of threat of criminal sanctions?

- A. Prevention
- B. Detection
- C. Investigation
- D. None of the above

(1 mark)

44. Which one of the following is the **MAIN** organisational risk factor that contributes towards fraudulent activity by management?

- A. Living beyond means
- B. Overwhelming desire for wealth
- C. Trusting key employees and not verifying
- D. Financial pressure

(1 mark)

45. Which one of the following is the **BEST** approach to control corporate crime?

- A. Consumer pressure
- B. Fraud hotlines
- C. Deliberate changes in corporate culture
- D. Government intervention

(1 mark)

46. Which one of the following is **NOT** accurate in regard to the control environment of an organisation?

- A. It sets the tone at the top
- B. Sets the moral and ethical tone of the organisation
- C. It puts all other controls into action
- D. None of the above

(1 mark)

47. Which one of the following statements is **NOT** accurate in regard to white-collar crime?

- A. In white-collar crime cases like corruption, the higher the offender's status, the more likely the individual will not be imprisoned
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will be found guilty
- D. None of the above

(1 mark)

48. Which one of the following components of COSO's Internal Control-Integrated Framework, is related to evaluation and communication?

- A. Control environment
- B. Control activities
- C. Information and communication
- D. None of the above

(1 mark)

49. Which of the following **BEST** describes the reason why fraud would still occur where the internal control system is strong?

- A. A strong internal control system is not effective, in fraud prevention and detection
- B. A strong internal control system is not effective because is not well integrated with the COSO components
- C. A strong internal control system is not effective because it does not have a right balance of preventive and detective controls
- D. A strong internal control system is not effective it does not sufficient preventive controls

(1 mark)

50. Which one of the following is **ACCURATE** in regard an effective internal control system?  
A. An effective internal control system can eliminate fraud  
B. An effective internal control system, has very strong controls in place  
C. An effective control system has a good balance of detective and preventive controls  
D. An effective internal control system has more preventive than detective controls (1 mark)

51. Which one of the following **BEST** describes white collar defendants, in relation to bargaining agreement with the prosecution?  
A. White collar defendants are less likely to enter into a guilty plea  
B. White collar defendants are more likely to enter into a guilty plea  
C. White collar defendants are less likely to insist on a trial  
D. None of the above (1 mark)

52. Which one of the following **BEST** describes strategy initiatives to control corporate crime?  
A. Voluntary change of corporate culture  
B. Consumer pressure  
C. Government intervention  
D. None of the above (1 mark)

53. Which one of the following **BEST** describes organisation crime related to bid rigging?  
A. Corruption  
B. Asset misappropriation  
C. Procurement fraud  
D. Conspiracy (1 mark)

54. Which one of the following is a fraud examiner **ALLOWED** by code of ethics for fraud examiners?  
A. To express an opinion in regard to the liability of the suspect  
B. To conclude that the suspect is culpable based on evidence collected  
C. To recommend on what action should be taken against the suspect  
D. None of the above (1 mark)

55. Which one of the following is **ACCURATE** in regard to occupational fraud?  
A. Most of occupational offenders have a high sense of loyalty  
B. Most of the occupational offenders have a sense of ownership  
C. Most of the occupational offenders do not have prior criminal records  
D. Most of the occupational offenders do not have a sense of ownership (1 mark)

56. The primary responsibility for evaluating the effectiveness of the compliance program rests with \_\_\_\_\_.  
A. internal auditor  
B. management  
C. board of directors  
D. compliance officer (1 mark)

57. Which one of the following controls is preventive and detective anti-fraud control?  
A. Fraud risk assessment  
B. Analytical data review  
C. Proactive forensic audits  
D. Independent reconciliations (1 mark)

58. Preventive anti-fraud controls include all the following, **EXCEPT** \_\_\_\_\_.  
A. Segregation  
B. Fraud awareness training  
C. Hiring policies  
D. Fraud audits (1 mark)

59. Which one of the following procedures would discourage individuals in an organisation from engaging in fraudulent and corrupt activities?  
A. Fraud audits  
B. Fraud awareness training  
C. An anti-fraud policy  
D. Code of ethics (1 mark)

60. The primary responsibility for monitoring the effectiveness of the compliance program rests with?  
A. Internal auditor  
B. Management  
C. Board of directors  
D. Compliance officer (1 mark)

61. Which one of the following statements is **ACCURATE** in regard to, a fraud examiner's ability to take up assignments where they have major interest unlike an accountant?  
A. A Certified Fraud Examiner cannot accept an assignment where he has major interest because he will not be objective  
B. A Certified Fraud Examiner can accept an assignment where he has major interest because he will not express an opinion  
C. A Certified Fraud Examiner cannot accept an assignment where he has major interest because he will be subjective  
D. None of the above (1 mark)

62. Which one of the following parties, is responsible for ensuring that the design and implementation of the organisation's fraud prevention program is effective?  
A. The management  
B. Internal auditors  
C. External auditors  
D. Board of directors (1 mark)

63. Which one of the following parties has responsibility for the design implementation and monitoring of the effectiveness of the fraud risk management program?  
A. Risk officer  
B. Management  
C. Compliance officer  
D. Internal auditor (1 mark)

64. Which one of the following parties has responsibility for providing second line of defense against fraud and corruption in an organisation?  
A. Management  
B. Risk officer  
C. Compliance manager  
D. Heads of departments (1 mark)

65. According to behaviourist theories, destructive workplace behaviour such as fraud and corruption can be modified through which of the following measures?  
A. Strong internal controls  
B. Punishment  
C. Hard controls  
D. Preventive and detective controls (1 mark)

66. Which one of the following is an example of the opportunity leg of the fraud triangle?  
A. Knowledge and technical skills  
B. Absence of internal controls  
C. Financial pressure  
D. None of the above (1 mark)

67. Which one of the following principles of corporate governance is related to effective ownership and reporting structures within an organisation?  
A. Transparency  
B. Fairness  
C. Responsibility  
D. None of the above (1 mark)

68. The primary responsibility for monitoring compliance with the compliance program rests with which of the following party?  
A. Internal Auditor  
B. Management  
C. Board of Directors  
D. Compliance Officer (1 mark)

69. Which one of the following is **NOT** a detective anti-fraud control?  
A. Surprise audits  
B. Training and awareness  
C. Analytical data review  
D. Fraud audits (1 mark)

70. Which one of the following is a preventive anti-fraud control?  
A. Proactive forensic audits  
B. Fraud awareness training  
C. Hiring policies  
D. None of the above (1 mark)

71. Which one of the following organisations **MUST** have effective corporate governance practices?  
A. A limited partnership  
B. A sole proprietor enterprise  
C. A public company  
D. All organisations (1 mark)

72. Which one of the following parties has the primary responsibility for the design and implementation of the preventive and detective controls?  
A. Board  
B. Management  
C. Internal auditor  
D. Compliance officer (1 mark)

73. Which one of the following **BEST** describes enhancing controls?  
A. Adding more controls  
B. Adding preventive and detective controls  
C. Enforcing controls  
D. Re-engineering controls (1 mark)

74. Which one of the following **BEST** describes the board's responsibilities for fraud risk management?  
A. Conducting fraud risk assessment  
B. Monitoring and proactively improving the fraud risk management programme  
C. Regularly updating the fraud risk management program  
D. None of the above (1 mark)

75. Which one of the following topics should be covered in employee anti-fraud training?  
A. How to identify red flags and risks of fraud  
B. A detailed explanation of the company's anti-fraud controls  
C. The exact procedures management uses to detect fraud  
D. None of the above (1 mark)

76. Which one of the following is statements is **ACCURATE** according to positive reinforcement and punishment?  
A. Behavior is modified by punishment  
B. Behavior is weakened when punishment is avoided  
C. Behavior is reinforced when punishment is applied  
D. Behavior is modified by positive reinforcement (1 mark)

77. Which one of the following is **NOT** an effective method of maximising possibility of fraud detection?  
A. Strong management oversight  
B. Mandatory vacations  
C. Fraud audits  
D. Fraud investigations (1 mark)

78. Which of the following parties has **NO** responsibility for fraud prevention?  
 A. Human resource  
 B. Internal audit  
 C. Risk officer  
 D. None of the above (1 mark)

79. Which one of the following is a measure that employers can put in place to mitigate fraud risks associated with employees' overwhelming desire for wealth?  
 A. Proactive forensic audits  
 B. Fraud awareness and education  
 C. Support programs  
 D. Special audits (1 mark)

80. Which one of the following is **NOT** accurate in regard to an ethics policy?  
 A. The ethics policy should be communicated to all company employees  
 B. In developing the policy, management should consider how various members of the organisation define success  
 C. In developing the policy, management should consider the existing ethical tone set by management  
 D. None of the above (1 mark)

81. Under the code of professional ethics, what code is related to not disclosing information obtained in the course of an engagement?  
 A. Confidentiality  
 B. Concealment of material information  
 C. Honesty and integrity  
 D. Loyalty (1 mark)

82. Which one of the following is **NOT** an objective for professional code of ethics?  
 A. Provide more specific solutions to professional ethical dilemmas that might not be found under general ethical principles  
 B. Facilitate practical enforcement and profession-wide internal discipline  
 C. To serve as an ethical reference and benchmark  
 D. None of the above (1 mark)

83. Which one of the following **BEST** describes an element of the fraud triangle?  
 A. Justification to commit fraud  
 B. Pressure to achieve targets  
 C. Low personal integrity  
 D. Social pressure (1 mark)

84. Which one of the following procedures would discourage individuals in an organisation from engaging in fraudulent and corrupt activities?  
 A. Board oversight  
 B. Regular forensic audits  
 C. An anti-fraud policy  
 D. None of the above (1 mark)

85. Which one of the following statements is **ACCURATE** in regard to an effective internal control system?  
 A. Well-designed and implemented internal control system is effective in fraud prevention  
 B. An effective internal control system must be well-designed, implemented, and continuously monitored  
 C. An effective internal control system must be well-designed, implemented and well enhanced  
 D. None of the above (1 mark)

86. Which one of the following is statements is **MOST** accurate in regard to minimising the occurrence of fraud and maximising fraud detection respectively in fraud prevention?  
 A. Fraud prevention is made up of a set of rules and procedures which in their aggregate encourage and discourage potential fraudsters from perpetrating fraud  
 B. Fraud prevention is a process that ensure reasonable assurance in regard to fraud prevention  
 C. A thorough fraud prevention control system can eliminate fraud  
 D. Fraud prevention is made up of a set of rules and procedures which in their aggregate, discourage potential fraudsters in engaging in fraud (1 mark)

87. Which one of the following statements is **NOT** accurate in regard to employees' loyalty?

- A. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud on behalf of the organisation
- B. According to Diane Vaughan, an employee who is truly loyal to a company cannot perpetrate fraud on behalf of the organisation
- C. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud against the organisation
- D. None of the above

(1 mark)

88. According to ISA 240, the auditor's assessment of the risk of material misstatement due to fraud at the financial statement level should **NOT** have an effect on which of the following aspects of an audit?

- A. Aspect of unpredictability
- B. Aspect of predictability
- C. Consideration of accounting principles applied
- D. Assignment and supervision of audit staff

(1 mark)

89. Which one of the following is **NOT** accurate in regard to the objectives of good corporate governance?

- A. Enhance the reliability of the organisation's financial reporting
- B. Detect material financial statement caused by errors or fraud
- C. Provide reasonable assurance regarding the organisation's compliance with applicable laws and regulations
- D. None of the above

(1 mark)

90. Employee anti-fraud training should include which of the following elements?

- A. A detailed information on how the organisation will be responding on each fraud
- B. A detailed information of the organisation's anti-fraud controls
- C. A detailed information of the procedures management will use to detect fraud
- D. Training and awareness of the procedures that organisation will uses to proactively detect fraud

(1 mark)

91. Which one of the following **BEST** describes tension between personal ethics and organisational goals?

- A. Ethical decision
- B. Moral principles
- C. Ethical standards
- D. None of the above

(1 mark)

92. Which one of the following fraud risk is associated with inadequate oversight over management?

- A. Financial statement fraud
- B. Asset misappropriation
- C. Corruption
- D. None of the above

(1 mark)

93. Which one of the following parties has the primary responsibility for mitigating fraud risk in the organisation?

- A. Risk owners
- B. Chief risk officer
- C. Board of directors
- D. Internal auditors

(1 mark)

94. Which one of the following is **NOT** one of the components of the COSO?

- A. Control environment
- B. Fraud control activities
- C. Information and communication
- D. Control activities

(1 mark)

95. Which one of the following is **NOT** accurate in regard to document retention policy?

- A. Document retention policy should incorporate response plan to incidences of fraud
- B. Specific requirements related to electronic documents
- C. Laws and regulations regarding recordkeeping requirements
- D. None of the above

(1 mark)

96. Which one of the following statements is **NOT** accurate in regard to fraud examination?

- A. Fraud examination requires avoidance of conflict of interest
- B. Fraud examination requires subordination of desires for personal gain to the interests of clients, employers and the public
- C. Fraud examination requires ability to respond to situations only where there are professional codes applicable
- D. Fraud examination requires ability to respond to situations where there are no direct professional codes applicable

(1 mark)

97. The IOSCO Principles for Auditor Oversight, effective oversight of the auditing profession does **NOT** include which one of the following principles?

- A. The mechanism to require auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession
- B. A mechanism to require that auditors have advanced training in accounting
- C. A mechanism to require that auditors are independent of the enterprises that they audit
- D. A mechanism to require that auditors to be qualified

(1 mark)

98. Which one of the following fraud prevention health check- up component, is related to evaluating the quality of the fraud controls?

- A. Control environment
- B. Fraud risk tolerance and management policy
- C. Proactive detection
- D. Risk ownership

(1 mark)

99. Which one of the following is **NOT** a component of fraud prevention check list?

- A. Effective reporting mechanism
- B. Tone at the top that is of honesty and integrity
- C. Audit department with adequate resources and authority
- D. Strong controls in place

(1 mark)

100. Which one of the following is **NOT** a factor that influences the level of fraud risk that is exposed to an organisation?

- A. The effectiveness of its anti-fraud controls
- B. The geographic regions in which it operates
- C. The ethics of its leadership team
- D. The ethics and integrity of employees

(1 mark)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 22 April 2024. Morning Paper.

Time Allowed: 3 hours.

Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.

1. Which one of the following factors does **NOT** affect employees' ethical decisions?
  - A. Tension between personal standards and organisational ethical culture
  - B. Industry and organisational ethical codes
  - C. The law and other government regulations
  - D. Tension between personal standards and organisational need(1 mark)
2. Which one of the following fraud risks is associated with inadequate oversight over management, in financial reporting?
  - A. Lack of financial reporting internal controls
  - B. Perceived situational pressure
  - C. Pressures/incentives
  - D. Opportunity(1 mark)
3. Which one of the following parties is responsible for assisting management in evaluating the effectiveness of the fraud risk management program?
  - A. Risk management officer
  - B. Management
  - C. Board of directors
  - D. Internal auditor(1 mark)
4. According to COSO, the effectiveness of the internal control system can be evaluated by assessing whether the five components of the COSO internal control integrated framework are in place and functioning effectively, and operating together in an integrated manner. Which of the following is **NOT** one of the components?
  - A. Control environment
  - B. Fraud risk oversight
  - C. Information and communication
  - D. Control activities(1 mark)
5. Which one of the following statements is **NOT** important for a company, to consider in regard to establishment of a document retention policy?
  - A. Specific rules for documenting and retaining records
  - B. General requirements related to electronic documents
  - C. Laws and regulations regarding recordkeeping requirements
  - D. None of the above(1 mark)
6. Which one of the following statements is **NOT** accurate in regard to fraud examination and integrity?
  - A. Fraud examination require independence of mind and avoidance of conflict of interest
  - B. Fraud examination require self-control of overwhelming desire for personal gain, over the interests of clients, employers and the public
  - C. Fraud examination only require ability to apply the set professional ethical standards in every situation
  - D. None of the above(1 mark)

7. Which one of the following is **NOT** one of the IOSCO principles for auditor oversight in regard to audit?

- A. The oversight should be performed by a body that acts and is seen to act in the interest of the oversight body
- B. The oversight involves a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures
- C. The oversight should take place within the audit firm, by professional associates, and through government regulation
- D. All of the above

(1 mark)

8. According to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the internal audit team must **NOT** do which of the following?

- A. Assess the risks of fraud
- B. Conduct fraud audit
- C. Evaluate the fraud risk management initiatives
- D. Collect evidence of fraud detected during the audit engagement

(1 mark)

9. The IOSCO principles for auditor oversight, effective oversight of the auditing profession does **NOT** include which of the following principles?

- A. The mechanism does not require auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession
- B. A mechanism to require that auditors have proper qualifications and competency
- C. A mechanism to require that auditors are independent of the enterprises that they audit
- D. The mechanism requires auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession

(1 mark)

10. Which one of the following **BEST** describes the rationalisation leg of the fraud triangle?

- A. "Management is not taking action on reported cases, I guess it is not that bad. I can also do the same"
- B. "I need money to pay bills"
- C. "Possibility of detection is very low"
- D. "I have an emergency I have no other way to solve the problem"

(1 mark)

11. Which one of the following **BEST** describes the opportunity leg of the fraud triangle?

- A. "Management and the board are engaging in conflict of interest, so it is okay"
- B. "I need money for an emergency need"
- C. "The board does not have the capacity to provide oversight"
- D. "I am entitled to more compensation"

(1 mark)

12. Which one of the following **BEST** describes situational pressure?

- A. "Management and the board are taking kickbacks, so it cannot be that bad?"
- B. "I need money to pay my debts"
- C. "We have spent more than the budget; we have to omit some expenses in this financial year's financial statements"
- D. "I have an emergency and I have no other way of solving the problem"

(1 mark)

13. Which one of the following factors should an organisation **NOT** consider when designing the components of its compliance and ethics program?

- A. Law and regulatory environment
- B. Past incidences of fraudulent and corrupt activities
- C. Industry size and standards
- D. The effectiveness of the internal controls

(1 mark)

14. Which one of the following is **NOT** one of the fraud risk assessment principles?

- A. Conducting ongoing detection of emerging fraud risks
- B. Assessing situations or circumstances that could significantly impact the internal control system
- C. Setting clear organisational objectives
- D. Identification of fraud risks

(1 mark)

15. COSO identified five components that **MUST** be integrated into which one of the following?  
A. Compliance program  
B. Ethics program  
C. Prevention program  
D. Internal control system (1 mark)

16. Which one of the following parties has responsibility for the design and implementation of COSO interrelated component?  
A. Board  
B. Management  
C. Audit committee  
D. Internal auditor (1 mark)

17. Which one of the following elements is **NOT** a desirable component of the compliance program?  
A. Designated compliance officer  
B. Appropriate incentives for compliance with the program  
C. Effective internal controls  
D. Continuous evaluation of the compliance program (1 mark)

18. Which one of the following controls **CANNOT** help to mitigate the risk of rationalisation?  
A. Fraud awareness training  
B. Employees support program  
C. Proactive forensic audits  
D. Comprehensive code of ethics (1 mark)

19. Which one of the following is **NOT** a proactive fraud detection control?  
A. Special audits  
B. Fraud assessment questioning  
C. Independent reconciliations  
D. Fraud detection (1 mark)

20. Which one of the following is a component of fraud prevention health check-up, that is related to the extent to which the board of directors are providing oversight over fraud risk management?  
A. Fraud risk governance  
B. Fraud risk tolerance  
C. Fraud risk assessment  
D. None of the above (1 mark)

21. Which one of the following is **NOT** a component of a comprehensive ethics program?  
A. Focus on successful leadership  
B. Ethic compliance officer  
C. Values statement  
D. Ethics reporting and ethics data (1 mark)

22. Which one of the following is a desirable component of a comprehensive ethics program?  
A. A designated ethics official  
B. An effective internal control system  
C. An effective fraud risk management program  
D. All the above (1 mark)

23. Which one of the following is **NOT** a responsibility for the internal auditor while conducting an audit engagement?  
A. Continuous monitoring of the effectiveness of the fraud risk management program  
B. Evaluate whether management is actively evaluating the effectiveness of the fraud risk management program  
C. Consider fraud risks in the assessment of internal control design and implementation  
D. None of the above (1 mark)

24. The commission formed in 1985 with the purpose of defining the auditor's responsibility for preventing and detecting fraud in financial reporting is known as:  
A. COSO Commission  
B. Sarbanes Oxley  
C. International Accounting Standards Board  
D. The treadway commission (1 mark)

25. Which one of the following is **NOT** accurate in regard to good corporate governance framework?  
A. It is not adaptable to change  
B. Is appropriate for the organisation's legal and regulatory environment  
C. Takes into account the organisation's cultural and ethical environment  
D. It is dynamic (1 mark)

26. Which one of the following statements is **NOT** accurate in regard to OECD principles of Corporate Governance?  
A. The OECD Principles of Corporate Governance support establishing equal protection for foreign shareholders than domestic shareholders  
B. The OECD Principles of Corporate Governance support establishing equal protection for domestic shareholders than foreign shareholders  
C. The OECD Principles of Corporate Governance support equitable treatment for all shareholders  
D. The OECD Principles of Corporate Governance support establishing stronger protection for minority shareholders, because they are more vulnerable (1 mark)

27. According to the OECD Principles of corporate governance, which of the following is **NOT** accurate in regard to an entity's corporate governance framework?  
A. Ensure proportionate treatment according to shareholding  
B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs  
C. Ensure the timely and accurate disclosure of all material matters regarding the corporation  
D. None of the above (1 mark)

28. Which one of the following parties is responsible for holding the board of directors accountable for the company's resources?  
A. The stakeholders  
B. The regulatory authority  
C. Executive board  
D. Shareholders (1 mark)

29. Which one of the following is **NOT** a recommendation of the Treadway Commission to the audit committee to prevent financial statement fraud?  
A. To be informed and vigilant  
B. To have adequate resources and authority  
C. To provide oversight over management  
D. None of the above (1 mark)

30. Which one of the following parties is responsible for providing oversight over employees?  
A. Managers and supervisors  
B. External auditors  
C. The board of directors  
D. Management (1 mark)

31. Effective corporate governance practices make business sense for any serious organisation. However, it is a must for some organisations to have effective corporate governance practices. Which one of the following is an example of such kind of organisation?  
A. A limited company  
B. A sole proprietor enterprise  
C. A public limited company  
D. A limited partnership enterprise (1 mark)

32. Which one of the following **BEST** describes oversight responsibilities of different parties for an organisation's direction, operations and performance?  
A. Management  
B. Audit committee  
C. Corporate compliance  
D. None of the above (1 mark)

33. Which one of the following **BEST** describes the principle related to clarity, accuracy, completeness and timeliness of the financial statements and other information provided by management to shareholders?  
A. Fairness  
B. Accountability  
C. Responsibility  
D. None of the above (1 mark)

34. Which one of the following is the **MOST** effective method of fraud prevention?  
A. Designing and implementing detective controls  
B. Designing and implementing preventive controls  
C. Designing and implementing strong controls  
D. All the above (1 mark)

35. Which one of the following statements **BEST** describes reengineering of controls?  
A. Reengineering of controls involves enhancing the controls  
B. Reengineering of controls involves enforcing the controls  
C. Reengineering of controls is a science of reorganising the existing controls  
D. Reengineering of controls is an art of reorganising the existing controls (1 mark)

36. Which one of the following is **NOT** a control environment principle of the COSO, that supports the design and implementation of an effective control environment?  
A. Personnel at all levels demonstrate commitment to integrity and ethical values  
B. Board should be independent of management and oversee the design and implementation of the internal control  
C. Organisation holds internal auditors accountable for the effectiveness of the internal controls  
D. None of the above (1 mark)

37. Which one of the following is **NOT** a fraud risk assessment principle of the COSO?  
A. The organisation sets clear objectives to enable the identification and assessment of risks relating to the objectives  
B. The organisation identifies and detects the risks associated with the achievement of the objectives  
C. The organisation identifies changes that would significantly impact the system of internal controls  
D. None of the above (1 mark)

38. Which one of the following is among the board's responsibilities for fraud risk management?  
A. Design and implementation of controls to mitigate the risks  
B. Monitoring and proactively improving the fraud risk management programme  
C. Performing and regularly updating the fraud risk assessment  
D. None of the above (1 mark)

39. Which one of the following topics should **NOT** be covered in employee anti-fraud training?  
A. A statement that management is going to respond to fraud allegation in a certain and swift manner  
B. A statement that management has no appetite for fraudulent activities  
C. An explanation of the exact methods that management is going to use in conducting fraud detection activities  
D. All the above (1 mark)

40. Lack of effective oversight over management and an ineffective internal control system are examples of which type of fraud risk associated with financial statement fraud?  
A. Rationalisation  
B. Pressure  
C. Opportunity  
D. Collusion (1 mark)

41. Which one of the following parties is responsible for fraud prevention in an organisation?  
A. Internal auditors  
B. External auditors  
C. All employees  
D. Board of Directors (1 mark)

42. Which one of the following statements is **NOT** accurate according to the differential reinforcement theory?  
A. Behaviour is weakened by positive stimuli  
B. Behaviour is weakened when punishment is avoided  
C. Behaviour is reinforced when punishment is applied  
D. None of the above (1 mark)

43. Which one of the following is **NOT** an effective method of increasing the perception of detection?  
A. Conducting fraud audits  
B. Establishing an effective fraud reporting program  
C. Conducting proactive forensic audits  
D. Conducting forensic audits (1 mark)

44. Which one of the following is **NOT** a principle pertaining to the information and communication component of the COSO's Internal Control Integrated Framework?  
A. The organisation communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control internally  
B. The organisation implement control activities to put the other controls into action  
C. The organisation obtains and uses relevant, quality information to support the functioning of internal control  
D. None of the above (1 mark)

45. Which one of the following statements is **NOT** accurate in regard to the role of human resource in fraud prevention?  
A. Human resource has responsibility for assessing and maintaining high level of loyalty, which is a fraud prevention measure  
B. Human resource has responsibility for monitoring employee's lack of morale, which is a fraud risk  
C. Human resource can support in conducting fraud risk assessments  
D. Human resource function is the employee's fraud risk owner (1 mark)

46. Which one of the following is **NOT** a control that employers can put in place to mitigate fraud risks associated with employees' "sense of entitlement"?  
A. Training and awareness  
B. Comprehensive code of ethics  
C. Anti-fraud policy  
D. Proactive forensic audit (1 mark)

47. Fraud prevention health check-up is an inexpensive tool that can be used to evaluate an organisation's fraud prevention health. Which one of the following **BEST** describes the component that defines the integrity and culture of the organisation?  
A. Process level controls  
B. Control activities  
C. Fraud risk tolerance and risk management policy  
D. None of the above (1 mark)

48. According to B F Skinner, positive reinforcement measures are the most effective measures of modifying behaviour. Which one of the following **BEST** describes positive reinforcement measures?  
A. Positive reinforcement measures help to enhance the internal controls  
B. Segregation of duties are examples of positive reinforcement measures  
C. Positive reinforcement measures enforce the internal controls  
D. None of the above (1 mark)

49. Which one of the following should management **NOT** do to create an anti-fraud culture?  
A. Develop a comprehensive compliance program  
B. Demonstrate zero tolerance for fraud and unethical behaviour  
C. Create an open-door policy environment  
D. Define zero appetite for fraud risks (1 mark)

50. Which one of the following is **NOT** accurate in regard to forensic audit or fraud investigations assignments?  
A. A Certified Fraud Examiner cannot accept a forensic audit assignment where he/she has a major interest  
B. A Certified Fraud Examiner must be an accountant to conduct a forensic audit assignment  
C. A Certified Fraud Examiner can accept a forensic audit assignment where he/she has a major interest  
D. None of the above (1 mark)

51. Which one of the following statements is **NOT** accurate in regard to the independent auditor's responsibility for fraud?  
A. International Standard on Auditing (ISA 240) has put express responsibility on the auditor to detect fraud in the course of auditing financial statements  
B. Auditors have a responsibility to identify fraud risks in all the processes  
C. Auditors have a responsibility for detecting risks and red flags of fraud in all the processes  
D. None of the above (1 mark)

52. Which one of the following does **NOT** describe the pressure leg of the fraud triangle?  
A. "I am in a financial crisis"  
B. "I need money to repay my debts"  
C. "I have the technical skills and knowledge to help myself"  
D. "I have an emergency; I have to help myself" (1 mark)

53. According to International Standard on Auditing (ISA 240), the auditor is only concerned with fraud that:  
A. Is perpetrated by management and employees  
B. Causes misappropriation of assets  
C. Causes misstatement in the financial statements  
D. None of the above (1 mark)

54. Organisation crime theorists, found that businesses justify illegal or noncompliant conduct. Which one of the following statements is **NOT** a justification made by the businesses for their behavior?  
A. The purpose for violations is to retain employees' jobs  
B. Compliance with government regulations are too expensive  
C. The damage is shared among a large number of consumers  
D. The purpose for violation to remain profitable (1 mark)

55. According to COSO, an internal control system should be designed to provide reasonable assurance in the achievement of the organisation's objectives. Which one of the following is **NOT** one of the objectives?  
A. The effectiveness and efficiency of the organisation's operations  
B. To maximise income and profits  
C. The organisation's compliance with the laws and regulations.  
D. None of the above (1 mark)

56. Which one of the following is **NOT** a core principle of sound corporate governance?  
A. Responsibility  
B. Confidentiality  
C. Accountability  
D. Transparency (1 mark)

57. Which one of the following parties, is responsible for providing oversight over the design and implementation of the organisation's fraud prevention program?  
A. The management  
B. Internal auditors  
C. External auditors  
D. The board (1 mark)

58. Which one of the following parties, has responsibility for the design, implementation and monitoring of the effectiveness of the fraud risk management program?  
A. Internal auditor  
B. External auditor  
C. Management  
D. Compliance officer (1 mark)

59. Which one of the following statements is **ACCURATE** in regard to internal control system?

- A. An effective internal control system can mitigate all types of fraud risks to an acceptable level
- B. Red flags of fraud are sure indicators that fraud has occurred and the organisation should respond to such red flags by conducting a fraud investigation
- C. Absence of internal controls is not a root cause of fraud
- D. Risks of fraud are sure indicators that fraud has occurred and therefore the organisation should conduct a fraud investigation

(1 mark)

60. Which one of the following theories **BEST** describes the use of threat of criminal sanctions?

- A. Prevention
- B. Detection
- C. Investigation
- D. None of the above

(1 mark)

61. Which one of the following parties in an organisation has responsibility for providing the first line of defense against fraud and corruption?

- A. Internal auditor
- B. Risk manager
- C. Compliance manager
- D. The risk owners

(1 mark)

62. Organisations should make efforts to control corporate crime. Which one of the following is an example of the **BEST** approach to control corporate crime?

- A. Internal audit
- B. Fraud hotlines
- C. Voluntary changes in corporate culture
- D. Government intervention

(1 mark)

63. The directors of ABC Company decided to inflate the company's revenue, and conceal expenditure, to show that the company has met the set profit targets. Which one of the following **BEST** describes the category of crime perpetrated by the directors and senior management?

- A. Organisational crime
- B. Occupational crime
- C. Economic crime
- D. Fraudulent financial reporting

(1 mark)

64. According to COSO, which one of the following is **NOT** accurate in regard to the control environment of an organisation?

- A. It sets the tone at the top
- B. Sets the moral and ethical tone of the organisation
- C. It sets clear organisational objectives to enable assessment of risk associated with the achievement of the objectives
- D. None of the above

(1 mark)

65. Which one of the following statements is **ACCURATE** in regard to white-collar crime?

- A. In white-collar crime cases like corruption, the higher the offender's status, the more likely the individual will not be incarcerated
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will not be found guilty
- D. None of the above

(1 mark)

66. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control-Integrated Framework?

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

(1 mark)

67. Which one of the following parties has responsibility for the oversight of the organisation's financial accounting, and audit matters?  
A. The board  
B. The internal auditors  
C. Management  
D. Audit committee (1 mark)

68. Which one of the following is **ACCURATE** in regard to an internal control system?  
A. A strong and effective internal control system can eliminate fraud  
B. Absence of internal controls is the major root cause of fraud  
C. Red flags of fraud are evidence of fraud  
D. An effective internal control system can reduce risks of fraud (1 mark)

69. Which one of the following is **NOT** accurate about white collar crimes?  
A. White collar defendants are less likely to enter into a guilty plea  
B. White collar defendants are more likely to enter into a guilty plea  
C. White collar defendants are more likely to insist on a trial  
D. None of the above (1 mark)

70. The theory that tries to prevent crime by using the threat of criminal sanctions is referred to as\_\_\_\_\_.  
A. Internal controls  
B. Deterrence  
C. Prevention  
D. Compliance (1 mark)

71. Efforts to control corporate crime generally include which of the following initiatives?  
A. Internal controls  
B. Fraud hotlines  
C. Positive reinforcement measure  
D. None of the above (1 mark)

72. Several construction companies colluded to beat the competitive bidding process of a government entity. The bidders agreed that all the competent bidders refrain from submitting their bid and let only one of the bidders submit their bid. Which one of the following **BEST** describes the offence perpetrated by the bidders?  
A. Organisational crime  
B. Occupational crime  
C. Both occupational and organisational crime  
D. White collar crime (1 mark)

73. According to COSO, which of the following is **NOT** accurate in regard to control environment of an organisation?  
A. It provides anti-fraud and ethics compliance policies  
B. It provides fraud training and awareness  
C. It provides for system to put all the controls into action  
D. It provides for consistent disciplinary measures (1 mark)

74. Which one of the following statements is **ACCURATE** in regard to white-collar crime?  
A. In white-collar crime cases like corruption, the higher an offender's status, the more likely the individual will be incarcerated  
B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted  
C. In white-collar crime cases, the higher an offender's status, the more likely the individual will not be imprisoned  
D. None of the above (1 mark)

75. Which one of the following is an example of a fraud preventive control?  
A. An internal audit of financial statements.  
B. Segregation of duties between employees.  
C. A surprise cash count by a supervisor.  
D. Diverting cash receipts to a personal account. (1 mark)

76. Which one of the following statements is **NOT** accurate in regard to a corporation's board of director's responsibility for fraud and corruption management?

- A. The board of directors provide oversight over the design, implementation and monitoring of the fraud/corruption policies and strategy
- B. The board of directors have the primary responsibility for fraud and corruption prevention
- C. The board of directors have primary responsibility for evaluating the effectiveness of the fraud risk management program
- D. All the above

(1 mark)

77. An organisation's corporate culture is effectively evaluated by which of the following procedures.

- A. A statement and action from the board and management, in regard to their zero tolerance for fraudulent and corrupt activities
- B. Conducting continuous internal audit
- C. Establishing strong internal controls
- D. Establishing hard controls

(1 mark)

78. According to B. F. Skinner's behaviorist theories, destructive workplace behavior, such as fraud and corruption can be modified through which of the following?

- A. Strong internal controls
- B. Punishment
- C. Soft controls
- D. Basic hard controls

(1 mark)

79. Strategy to control corporate crime that is designed to achieve conformity with the law by providing economic incentives for voluntary compliance with the law and using administrative efforts to control violations is referred to as:

- A. Deterrence
- B. Prevention
- C. Detection
- D. None of the above

(1 mark)

80. Which one of the following is not **ACCURATE** in regard to the OECD Principles of Corporate Governance?

- A. Establishment of a substantive law, which governments should put in place to support good corporate governance practices
- B. An emphasis on the importance of timely, accurate and transparent disclosure mechanisms
- C. Recognition of the importance of the role of stakeholders in corporate governance
- D. All of the above

(1 mark)

81. Which one of the following is **NOT** an example of non-shareable financial need leg of the fraud triangle?

- A. A need to do savings
- B. Addiction problems
- C. Gambling debts
- D. Personal debts

(1 mark)

82. An organisation's ethics policy is an essential tool for fraud prevention. Which one of the following is **NOT** accurate in regard to an ethics policy?

- A. The policy should be communicated to all company employees
- B. In developing the policy, management should consider how various members of the organisation define success.
- C. In developing the policy, management should consider the existing ethical culture set by employees.
- D. In developing the policy, management should consider the existing ethical tone set by management

(1 mark)

83. Elias, a Certified Forensic Fraud Examiner, conducted a fraud examination at ABC Corporation where Lucy is a suspect of embezzlement of money. Elias later found out that Lucy is working for XYZ Corp, another client of his. Under most of the anti-fraud and other professional bodies' Code of Professional Ethics, what should Elias do?

- A. Elias should report the matter to the XYZ Corp board
- B. Elias should report the matter to the XYZ Corp management
- C. Elias should report the matter to the police
- D. Elias should not inform XYZ company

(1 mark)

84. All Professional organisations have codes of ethics. Which one of the following is **NOT** a purpose for the code of ethics for professional ethics?

- A. Provide more specific solutions to professional ethical dilemmas, that might not be found under general ethical principles
- B. Facilitate practical enforcement and profession-wide internal discipline
- C. To serve as an ethical reference and benchmark
- D. To provide ethical solutions for every situation that professionals may encounter

(1 mark)

85. Which one of the following is **NOT** one of the legs of the Fraud Triangle?

- A. Rationalisation
- B. Perceived situational pressure
- C. Opportunity
- D. None of the above

(1 mark)

86. Effective ownership and reporting structures within an organisation are necessary to ensure which of the following principles of corporate governance?

- A. Transparency
- B. Accountability
- C. Responsibility
- D. Integrity

(1 mark)

87. A forensic fraud examiner while conducting an investigation is **NOT** permitted to express an opinion regarding which of the following?

- A. The liability of the suspect
- B. The involvement of the suspect
- C. Failure to comply with international accounting standards
- D. Failure to comply with international financial reporting standards

(1 mark)

88. The corporate governance principle that pertains to the duty of internal parties to act in the best interest of the organisation is referred to as:

- A. Accountability
- B. Transparency
- C. Fairness
- D. Responsibility

(1 mark)

89. According to the 2022 ACFE Report to the Nations, which one of the following asset misappropriation schemes was most common?

- A. Fraudulent disbursement
- B. Conflict of interest
- C. Asset misappropriations
- D. Embezzlement

(1 mark)

90. Which one of the following procedures should the external auditor **NOT** do to obtain information for identifying the risks of material misstatement due to fraud?

- A. Conduct interviews of the entity's management only to obtain a more informative views on the risks of fraud
- B. Conduct interview of fraud risk owners
- C. Conduct interview of employees
- D. All of the above

(1 mark)

91. Which one of the following is **NOT** accurate in regard to occupational fraud?

- A. Most of occupational offenders have a high sense of entitlement
- B. Most of the occupational offenders have a sense of ownership
- C. Most of the occupational offenders do not have prior criminal records
- D. Most of the occupational offenders do not have a sense of ownership

(1 mark)

92. The primary responsibility for evaluating the effectiveness of the compliance program rests with?

- A. Internal auditor
- B. Management
- C. Board of directors
- D. Compliance officer

(1 mark)

93. Which one of the following controls is both preventive and detective anti-fraud control?  
A. Fraud risk assessment  
B. Analytical data review  
C. Proactive forensic audits  
D. Independent reconciliations (1 mark)

94. Preventive anti-fraud controls include all the following, **EXCEPT**?  
A. Proactive forensic audit  
B. Fraud awareness training  
C. Hiring policies  
D. Code of ethics (1 mark)

95. If an individual perceives a high possibility of being caught perpetrating fraud, he or she would be demotivated from committing fraud. Which one of the following procedures would discourage individuals in an organisation from engaging in fraudulent and corrupt activities?  
A. Fraud detection audits  
B. Fraud awareness training  
C. An anti-fraud policy  
D. Code of ethics (1 mark)

96. The primary responsibility for monitoring the effectiveness of the compliance program rests with?  
A. Internal auditor  
B. Management  
C. Board of directors  
D. Compliance officer (1 mark)

97. Which one of the following statements is **ACCURATE** in regard to an effective internal control system?  
A. Well-designed and implemented internal control system is effective in fraud prevention  
B. An effective internal control system must be well-designed, implemented and enforced  
C. An effective internal control system must be well-designed, implemented and well enhanced  
D. All the above (1 mark)

98. Which one of the following is **NOT** accurate in regard to fraud prevention?  
A. Fraud prevention is made up of a set of rules and procedures which in their aggregate minimise the occurrence and detection of fraud  
B. Fraud prevention is made up of a set of rules and procedures which in their aggregate minimise the occurrence of fraud while maximising the detection of fraud  
C. An effective fraud prevention control system cannot eliminate fraud  
D. An effective fraud prevention control system cannot eliminate fraud risks (1 mark)

99. Which one of the following is the primary foundation for the INTOSAI professional framework for auditing in the public sector?  
A. The call for supreme audit institutions to develop their own independence standards  
B. The call to keep government auditors employed by the organisations that they audit  
C. The call for supreme audit institutions to influence industry regulations  
D. The call for enacted independence of government auditing institutions (1 mark)

100. Which one of the following is **ACCURATE** in regard to the objectives of good corporate governance?  
A. Enhance the accuracy and reliability of the organisation's financial reports  
B. Detect financial misstatements whether caused by errors or fraud  
C. Provide reasonable assurance regarding the organisation's compliance with applicable laws and regulations  
D. Encourage the efficient use of resources and require accountability for the stewardship of the resources (1 mark)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 4 December 2023. Morning Paper.

Time Allowed: 3 hours.

Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.

1. Anti-fraud/corruption professionals believe that, increasing the perception of detection is the most effective method of fraud/corruption prevention.

Which of the following statement is **NOT** accurate in regard to increasing perception of detection?

- A. To increase the perception of detection, parties in the organisation should not be made aware that the organisation would conduct surprise audits
- B. To increase the perception of detection, parties in the organisation should be made aware that the organisation could conduct surprise audits
- C. A surprise audit is a proactive fraud prevention activity that helps to increase the perception of detection
- D. A surprise audit is a positive reinforcement measure, that helps to increase the perception of detection

(1 mark)

2. Fraud prevention health check-up is an inexpensive tool that can be used to evaluate an organisation's fraud prevention health.

Which of the following **BEST** describes the component that creates a foundation for the internal control system?

- A. Proactive detection
- B. Risk ownership
- C. Fraud risk tolerance and risk management
- D. None of the above

(1 mark)

3. According to BF Skinner, positive reinforcement measures are the most effective measures of modifying behavior.

Which of the following **BEST** describes positive reinforcement measure?

- A. Positive reinforcement measures help to enhance the internal controls
- B. Segregation of duties are examples of positive reinforcement measures
- C. Positive reinforcement measures are examples of strong controls
- D. None of the above

(1 mark)

4. Which of the following should management **NOT** do to create an anti-fraud culture?

- A. Develop a comprehensive compliance program
- B. Demonstrate zero tolerance for fraud and unethical behavior
- C. Create an open-door policy environment
- D. Define zero appetite for fraud risks

(1 mark)

5. Which of the following is **NOT** accurate in regard to assignments and Certified Fraud Examiners?

- A. A Certified Fraud Examiner cannot accept an assignment where he/she has a major interest
- B. A Certified Fraud Examiner must be an accountant to conduct a forensic audit assignment
- C. A Certified Fraud Examiner can accept an assignment where he/she has a major interest
- D. None of the above

(1 mark)

6. Which of the following statements is **NOT** accurate in regard to the external auditor's responsibility for fraud?  
A. International Standard on Auditing (ISA 240) has put express responsibility on the auditor to detect fraud in the course of auditing financial statements  
B. Auditors have a responsibility for identify fraud risks in all the processes  
C. Auditors have a responsibility for detecting risks and red flags of fraud  
D. None of the above (1 mark)

7. Which of the following does **NOT** describe the pressure leg of the fraud triangle?  
A. "I am in a financial crisis"  
B. "I need money to repay my debts"  
C. "Possibility of detection is very high"  
D. "I have an emergency; I have no other way to solve the problem" (1 mark)

8. According to International Standard on Auditing (ISA 240), the auditor is only concerned with fraud that.  
A. Is perpetrated by management and not employees  
B. Perpetrated through collusion  
C. Causes misstatement in the financial statements  
D. None of the above (1 mark)

9. *Silk and Vogel* found that businesses justify illegal or noncompliant conduct. Which of the following statements is **NOT** a justification made by the businesses for their behavior?  
A. The purpose for violations is to secure employees' jobs  
B. Compliance with government regulations is too expensive  
C. The damage is shared among a large number of consumers  
D. None of the above (1 mark)

10. According to COSO, an internal control system should be designed to provide reasonable assurance in the achievement of the organisation's objectives. Which of the following is **NOT** one of the objectives?  
A. The effectiveness and efficiency of the organisation's operations  
B. To maximise profits  
C. The organisation's compliance with the laws and regulations  
D. None of the above (1 mark)

11. Which of the following is **NOT** a core principle of sound corporate governance?  
A. Responsibility  
B. Integrity  
C. Accountability  
D. None of the above (1 mark)

12. Which of the following parties, is responsible for providing oversight over the design and implementation of the organisation's fraud prevention program?  
A. The management  
B. Internal auditors  
C. External auditors  
D. None of the above (1 mark)

13. Which of the following party, has responsibility for the design, implementation and monitoring of the effectiveness of the fraud risk management program?  
A. Risk officer  
B. External audit  
C. Compliance officer  
D. None of the above (1 mark)

14. Which of the following statements is **ACCURATE** in regard to internal control system?  
A. An effective internal control system can mitigate fraud risks to a tolerance level  
B. Absence of internal controls is the major root cause of fraud  
C. Red flags and risks of fraud are evidence of fraud  
D. None of the above (1 mark)

15. Which of the following is **NOT** accurate in regard to white collar offenders?

- A. White collar offenders are less likely to plead guilty
- B. White collar offenders are more likely to plead guilty
- C. White collar offenders are more likely to be jailed
- D. All the above

(1 mark)

16. Which of the following theories **BEST** describes the use of threat of criminal sanctions?

- A. Prevention
- B. Deterrence
- C. Compliance
- D. None of the above

(1 mark)

17. Which of the following parties in an organisation, has responsibility for providing the first line of defense against fraud and corruption?

- A. Internal auditor
- B. Risk manager
- C. Compliance manager
- D. Heads of departments

(1 mark)

18. Organisations should make efforts to control corporate crime. Which of the following is an example of an approach that they should include?

- A. Internal audit
- B. Fraud hotlines
- C. Voluntary changes in corporate attitudes
- D. All of the above

(1 mark)

19. The directors of ABC Company decided to inflate the company's revenue, and conceal expenditure, to show that the company has met the profit targets.

Which of the following **BEST** describes the category of crime perpetrated by the directors and senior management?

- A. Organisational crime
- B. Occupational crime
- C. Economic crime
- D. None of the above

(1 mark)

20. According to COSO, which of the following is **NOT** accurate in regard to the control environment of an organisation?

- A. It provides a foundation for all other controls
- B. Sets the moral and ethical tone of the organisation
- C. It sets clear organisational objectives to enable assessment of risk associated with the achievement of the objectives
- D. None of the above

(1 mark)

21. Which of the following statements is **ACCURATE** in regard to white-collar crime?

- A. In white-collar crime cases like corruption, the higher the offender's status, the more likely the individual will not be incarcerated
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will not be found guilty
- D. None of the above

(1 mark)

22. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control-Integrated Framework?

- A. Control Environment
- B. Control activities
- C. Information and communication
- D. Monitoring

(1 mark)

23. Which of the following is **NOT** accurate in regard to a corporation's board of directors?

- A. The directors' responsibility is to represent shareholders only
- B. The directors are generally elected by the company stakeholders
- C. The directors provide management responsibility for business operations by assessing the strategy and underlying purpose of management's decisions and actions
- D. None of the above

(1 mark)

24. According to the *2022 ACFE Report to the Nations*, which of the following is the second common fraud detection method?

- A. Internal audit
- B. External audit
- C. Management review
- D. None of the above

(1 mark)

25. Which of the following is **NOT** a measure that can be used to evaluate an organisation's corporate culture effectively?

- A. Statements from the board and management in regard to their zero tolerance for fraud
- B. The tone at the top
- C. Management's inconsistent disciplinary measures
- D. Management's response to fraudulent activities

(1 mark)

26. According to *BF Skinner's* behaviorist theories, destructive workplace behavior, such as fraud and corruption, can be modified through which of the following measures?

- A. Strong internal controls
- B. Punishment
- C. Hard controls
- D. None of the above

(1 mark)

27. Strategy to control corporate crime that is designed to achieve conformity with the law by providing economic incentives for voluntary compliance with the law and using administrative efforts to control violations is referred to as \_\_\_\_\_.

- A. Deterrence
- B. Prevention
- C. Compliance
- D. None of the above

(1 mark)

28. Which of the following is **NOT** accurate in regard to the OECD Principles of Corporate Governance?

- A. Establishment of a law, where governments should put in place an appropriate framework to support good corporate governance practices
- B. An emphasis on the importance of timely, accurate, and transparent disclosure mechanisms
- C. Recognition of the importance of the role of stakeholders in corporate governance
- D. All of the above

(1 mark)

29. Which of the following is **NOT** one of the examples of the non-shareable financial need, leg of the fraud triangle?

- A. Alcohol and drugs problem
- B. Addiction problems
- C. Gambling debts
- D. None of the above

(1 mark)

30. An organisation's ethics policy is an essential tool for fraud prevention. Which of the following is **NOT** accurate in regard to an ethics policy?

- A. The ethics policy should be communicated to all company employees
- B. In developing the policy, management should consider how various members of the organisation define success
- C. In developing the policy, management should consider the existing ethical tone set by management
- D. None of the above

(1 mark)

31. Polly, a Certified Fraud Examiner, conducted a fraud examination at ABC Corporation where Rose is suspected of embezzlement. Polly later found out that Rose is working for XYZ Corp, another client of hers. Under most of the anti-fraud and other professional bodies' Code of Professional Ethics, what code of ethic would guide Polly on what action to take?  
A. Confidentiality  
B. Transparency  
C. Honesty and integrity  
D. Loyalty and due care towards her client (1 mark)

32. All Professional organisations have code of ethics. Which of the following is **NOT** a purpose for professional code of ethics?  
A. Provide more specific solutions to professional ethical dilemmas that might not be found under general ethical principles  
B. Facilitate practical enforcement and profession-wide internal discipline  
C. To serve as an ethical reference and benchmark  
D. Provide general solutions to professional ethical dilemmas that might not be found under specific ethical principles (1 mark)

33. Which of the following parties is responsible for directing employees to carry out business activities and manage the expected performance?  
A. Board of directors  
B. Internal auditors  
C. The audit and risk committee  
D. Management (1 mark)

34. Which of the following **BEST** describes an element of the fraud triangle?  
A. Justification to commit fraud  
B. Pressure to achieve targets  
C. Low personal integrity  
D. None of the above (1 mark)

35. Effective ownership and reporting structures within an organisation are necessary to ensure which of the following principles of corporate governance?  
A. Transparency  
B. Accountability  
C. Responsibility  
D. All the above (1 mark)

36. A forensic fraud examiner, while conducting an investigation on alleged financial reporting is **NOT** permitted to express an opinion regarding which of the following?  
A. The effectiveness of the internal controls  
B. Failure to comply with IFRS  
C. Failure to comply with IAS  
D. None of the above (1 mark)

37. The corporate governance principle that pertains to the duty of internal parties to act in the best interest of the organisation is referred to as:  
A. Accountability  
B. Transparency  
C. Fairness  
D. None of the above (1 mark)

38. According to the *2022 ACFE Report to the Nations*, which of the three major categories of occupational fraud was most expensive?  
A. Fraudulent disbursement  
B. Financial statement fraud  
C. Asset misappropriations  
D. None of the above (1 mark)

39. The Public Interest Oversight Board (PIOB) includes which of the following functions?  
A. Developing best practices for corporate governance for global organisations  
B. Establishing international standards for financial reporting

C. Providing oversight over the process of setting international auditing standards  
D. None of the above (1 mark)

40. Which of the following procedures should the external auditor **NOT** use to obtain information for identifying the risks of material misstatement due to fraud?  
A. Conduct interviews of the entity's management only, to obtain clear and accurate views on the risks of fraud  
B. Examine any unusual or unexpected relationships identified through analytical procedures  
C. Consider fraud risk assessment results that indicates medium to high fraud risk  
D. None of the above (1 mark)

41. Which of the following is **NOT** accurate in regard to occupational fraud?  
A. Most embezzlers are repeat trusted violators  
B. Most of the occupational offenders are first trusted violators  
C. Most of the occupational offenders do not have prior criminal records  
D. None of the above (1 mark)

42. The primary responsibility for evaluating the effectiveness of the compliance program rests with which of the following parties?  
A. Internal Auditor  
B. Management  
C. Board of Directors  
D. Compliance Officer (1 mark)

43. Which of the following is **NOT** a detective anti-fraud control?  
A. Continuous audit techniques  
B. Code of ethics  
C. Analytical data review  
D. Independent reconciliations (1 mark)

44. Preventive anti-fraud controls include all the following **EXCEPT**?  
A. Proactive forensic audits  
B. Fraud awareness training  
C. Hiring policies  
D. Segregation of duties (1 mark)

45. If an employee perceives high detection, he or she would be demotivated from committing fraud. Which of the following procedures would discourage individuals in an organisation from engaging in fraudulent and corrupt activities?  
A. Regular management oversight  
B. Regular forensic audits  
C. An anti-fraud policy  
D. None of the above (1 mark)

46. Which of the following statements is **ACCURATE** in regard to an effective internal control system?  
A. Well-designed and implemented internal control system is effective in fraud prevention  
B. An effective internal control system must be well-designed, implemented, and continuously monitored  
C. An effective internal control system must be well-designed, implemented and well enhanced  
D. None of the above (1 mark)

47. Which of the following statement is **MOST** accurate in regard to fraud prevention?  
A. Fraud prevention is made up of a set of rules and procedures which in their aggregate encourage and discourage potential fraudsters from perpetrating fraud  
B. Fraud prevention is a process that ensures reasonable assurance in regard to fraud prevention  
C. A thorough fraud prevention control system can eliminate fraud  
D. Fraud prevention is made up of a set of rules which in their aggregate discourage potential fraudsters in engaging in fraud (1 mark)

48. Which of the following is the primary foundation for the INTOSAI professional framework for auditing in the public sector?  
A. The call for supreme audit institutions to develop their own independence standards  
B. The call to keep government auditors employed by the organisations that they audit

C. The call for supreme audit institutions to influence industry regulations  
D. The call for legislated independence of government auditing institutions (1 mark)

49. Which of the following statement is **NOT** accurate in regard to employees' loyalty?  
A. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud on behalf of the organisation  
B. According to Diane Vaughan, an employee who is truly loyal to a company cannot perpetrate fraud on behalf of the organisation  
C. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud against the organisation  
D. None of the above (1 mark)

50. According to ISA 240, the auditor's assessment of the risk of material misstatement due to fraud at the financial statement level should **NOT** have an effect on which of the following aspect(s) of an audit?  
A. Selection of auditing tests and procedures  
B. Assignment and supervision of personnel  
C. Consideration of accounting principles applied  
D. None of the above (1 mark)

51. Which of the following is **ACCURATE** in regard to the objectives of good corporate governance?  
A. Enhance the accuracy and reliability of the organisation's financial reports  
B. Detect financial misstatements, whether caused by errors or fraud  
C. Provide reasonable assurance regarding the organisation's compliance with applicable laws and regulations  
D. None of the above (1 mark)

52. According to the authors of *Crimes of the Middle Classes*, which of the following factors is **NOT** accurate in regard to the rising problem of economic crime?  
A. The economy's increased reliance on credit  
B. The increased opportunity for wrongdoing facilitated by advanced information technology  
C. The continued pressures of a culture that awards honesty and integrity  
D. None of the above (1 mark)

53. An employee anti-fraud training should include which of the following elements?  
A. Detailed information on how the organisation will be responding on each fraud  
B. Detailed information of the organisation's anti-fraud controls  
C. Detailed information of the procedures management will use to detect fraud  
D. None of the above (1 mark)

54. Which of the following factors does **NOT** affect employees' ethical decisions?  
A. Tension between personal ethics and organisational needs  
B. Industry and organisational ethical codes  
C. The law and other government regulations  
D. None of the above (1 mark)

55. Which of the following fraud risk is associated with inadequate oversight over management, in financial reporting?  
A. Rationalisation  
B. Perceived situational pressure  
C. Pressures / incentives  
D. Opportunity (1 mark)

56. Which of the following parties has responsibility for assisting management in fraud risk management within an organisation?  
A. Risk Management Officer  
B. Management  
C. Board of Directors  
D. Internal auditors (1 mark)

57. According to COSO, the effectiveness of the internal control system can be evaluated by assessing whether the five components of the COSO internal control integrated framework are in place, functioning effectively and operating together in an integrated manner.

Which of the following is **NOT** one of the components?

- A. Control environment
- B. Fraud risk governance
- C. Information and communication
- D. Control activities

(1 mark)

58. Which of the following is **NOT** important for a company, to consider in regard to establishment of a document retention policy?

- A. General rules for documenting and retaining records
- B. Specific requirements related to electronic documents
- C. Laws and regulations regarding recordkeeping requirements
- D. None of the above

(1 mark)

59. Which of the following statements is **NOT** correct in regard to fraud examination and integrity?

- A. Fraud examination requires independence of mental attitude and avoidance of conflict of interest
- B. Fraud examination requires subordination of desires for personal gain to the interests of clients, employers and the public
- C. Fraud examination requires ability to analyse situations only where there are professional codes applicable and determine right from wrong
- D. None of the above

(1 mark)

60. Which of the following is **NOT** the IOSCO Principles for Auditor Oversight in regard to audit?

- A. The oversight should be performed by a body that acts and is seen to act in the best interest of the client
- B. The oversight involves a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures
- C. The oversight should take place within the audit firm, by professional associates, and through government regulation
- D. None of the above

(1 mark)

61. According to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the internal audit team must **NOT** do which one of the following?

- A. Evaluate the risks of fraud
- B. Identify and assess risk of fraud
- C. Evaluate the fraud risk management initiatives
- D. Evaluate an area as high risk only if fraud had occurred previously

(1 mark)

62. According to the IOSCO Principles for Auditor Oversight, effective oversight of the auditing profession does **NOT** include which one of the following principles?

- A. The mechanism does not require auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession
- B. A mechanism to require that auditors have proper qualifications and competency
- C. A mechanism to require that auditors are independent of the enterprises that they audit
- D. All of the above

(1 mark)

63. Which of the following **BEST** describes the rationalisation leg of the fraud triangle?

- A. "I am entitled to more than what I am getting?"
- B. "I need money to pay for my parent's hospital bills"
- C. "I do not see any possibility of being caught"
- D. "I have an emergency I have no other way to solve the problem"

(1 mark)

64. Which of the following **BEST** describes the opportunity leg of the fraud triangle?

- A. "Management and the board are engaging in a conflict of interest, so it is okay"
- B. "I need money for an emergency"
- C. "I can override the controls"
- D. "I need to pay my debts"

(1 mark)

65. Which of the following **BEST** describes situational pressure due to unrealistic targets?  
A. “Management and the board are taking kickbacks, so it cannot be that bad?”  
B. “I need money to pay my debts”  
C. “We have not met the revenue targets; we have no option, so we have to do what it takes”  
D. None of the above (1 mark)

66. Which of the following factors should an organisation **NOT** consider when designing the components of its compliance and ethics program?  
A. Law and regulatory environment  
B. Non-occurrence of similar conduct  
C. Industry size and standards  
D. None of the above (1 mark)

67. Which of the following is **NOT** one of the principles involved in the risk assessment process, as laid out by COSO?  
A. Conducting ongoing monitoring of the risk management strategy  
B. Assessing changes that could significantly impact the internal control system  
C. Setting clear organisational objectives  
D. Identifying risks of fraud (1 mark)

68. COSO identified five components that must be integrated into which of the following?  
A. Compliance program  
B. Ethics program  
C. Anti-fraud policy  
D. None of the above (1 mark)

69. Which of the following is **NOT** one of the COSO interrelated components of a company's internal control system?  
A. Fraud risk oversight  
B. Risk assessment  
C. Fraud risk governance  
D. None of the above (1 mark)

70. Which of the following elements is **NOT** desirable for a corporate compliance program to be effective?  
A. Due diligence in the hiring process  
B. Appropriate incentives for compliance with the program  
C. Continuous evaluation of the compliance program  
D. None of the above (1 mark)

71. Which of the following controls **CANNOT** help to mitigate the risk of rationalisation?  
A. Fraud awareness training  
B. Employees support program  
C. Proactive audit procedures  
D. None of the above (1 mark)

72. Which of the following is **NOT** a proactive fraud detection activity?  
A. Regular analytical review procedures  
B. Regular fraud assessment questioning  
C. Training and awareness  
D. None of the above (1 mark)

73. Which of the following is a criteria of fraud prevention health check-up, that is related to the extent that the board of directors is providing oversight over fraud risk management?  
A. Fraud risk ownership  
B. Fraud risk tolerance  
C. Fraud risk assessment  
D. None of the above (1 mark)

74. Which of the following is **NOT** a component of a comprehensive ethics program?  
A. Focus on ethical leadership  
B. Vision statement  
C. Values statement  
D. None of the above (1 mark)

75. Which of the following is **NOT** a desirable component of a comprehensive ethics program?  
A. An ethics officer with other major responsibilities  
B. Ethics task force or committee  
C. Ethics communication and training  
D. None of the above (1 mark)

76. Which of the following statements is **MOST** accurate in regard to the internal auditor's responsibility for fraud?  
A. Conduct further investigation where they detect a fraud scheme  
B. Evaluate whether management is actively retaining responsibility for oversight of the fraud risk management program  
C. Detect fraud risks in the assessment of internal control design and determination of audit steps to perform  
D. Evaluate if the internal controls are working (1 mark)

77. The commission formed in 1985 with the purpose of defining the auditor's responsibility for preventing and detecting fraud is known as which of the following?  
A. COSO Commission  
B. Sarbanes Oxley  
C. International Securities Commission  
D. None of the above (1 mark)

78. Which of the following is **NOT** good corporate governance practice?  
A. Define only the expectations of the parties involved  
B. Provide clear lines of accountability and reporting  
C. Ensure that a few individuals are not capable of making all the business decisions without influence, input or approval of other parties  
D. None of the above (1 mark)

79. Which of the following is **NOT** correct in regard to good corporate governance framework?  
A. It is adaptable to change  
B. Is appropriate for the organisation's legal and regulatory environment  
C. Takes into account the organisation's cultural and ethical environment  
D. None of the above (1 mark)

80. Which of the following statements is **ACCURATE** in regard to OECD principles of Corporate Governance?  
A. The OECD Principles of Corporate Governance support establishing stronger protection for foreign shareholders than domestic shareholders  
B. The OECD Principles of Corporate Governance support establishing stronger protection for domestic shareholders than foreign shareholders  
C. The OECD Principles of Corporate Governance support equitable treatment for all shareholders  
D. None of the above (1 mark)

81. According to the OECD Principles of Corporate Governance, an entity's corporate governance framework, which of the following is **NOT** accurate?  
A. Ensure commensurate treatment of all shareholders, including minority and foreign shareholders, based on their investment  
B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs  
C. Ensure the timely and accurate disclosure of all material matters regarding the corporation  
D. None of the above (1 mark)

82. Which of the following parties is responsible for holding the board of directors accountable for the shareholder's resources?  
A. The external auditor  
B. The chairman of the board  
C. Executive management  
D. None of the above (1 mark)

83. Which of the following is **NOT** a recommendation of the Treadway Commission to the audit committee to prevent financial statement fraud?  
A. To have written charter for the audit committee  
B. To be informed and a working committee  
C. To have adequate resources and authority  
D. None of the above (1 mark)

84. Which of the following parties is responsible for directing employees to carry out business activities and managing their performance of those tasks?  
A. Shareholders  
B. External auditors  
C. The board of directors  
D. Management (1 mark)

85. Effective corporate governance practices are desirable for any organisation.  
Which of the following organisation must have effective corporate governance practices?  
A. A limited partnership  
B. A sole proprietor enterprise  
C. A public company  
D. A general partnership enterprise (1 mark)

86. Which of the following **BEST** describes oversight responsibilities of different parties for an organisation's direction, operations and performance?  
A. Risk management  
B. Risk governance  
C. Corporate compliance  
D. None of the above (1 mark)

87. Which of the following **BEST** describes the principle related to clarity, accuracy, completeness, and timeliness of the financial statements and other information provided by management to shareholders?  
A. Fairness  
B. Accountability  
C. Responsibility  
D. None of the above (1 mark)

88. Which of the following is the **MOST** effective method of fraud prevention?  
A. Putting detective controls in place  
B. Putting strong controls in place  
C. Putting preventive controls in place  
D. All the above (1 mark)

89. Which of the following statements **BEST** describes reengineering of controls?  
A. Reengineering of controls involve enhancing the controls  
B. Reengineering of controls involve enforcing the controls  
C. Reengineering of controls involve compromising controls  
D. Reengineering of controls is an art of reorganising the existing controls (1 mark)

90. Which of the following is **NOT** a control environment principle of the COSO that supports the design and implementation of an effective control environment?  
A. Personnel at all levels demonstrate commitment to integrity and ethical values  
B. Board should be independent of management and oversee the design and implementation of the internal control  
C. Organisation holds individuals accountable of internal controls  
D. None of the above (1 mark)

91. Which of the following is **NOT** a fraud risk assessment principle of the COSO  
A. The organisation sets clear objectives to enable the identification and assessment of risks relating to the objectives  
B. The organisation detects risks to the achievement of the objectives  
C. The organisation identifies changes that would significantly impact the system of internal controls  
D. None of the above (1 mark)

92. Which of the following is among the board's responsibilities for fraud risk management?  
A. Design and implementation of controls to mitigate the risks  
B. Monitoring and proactively improving the fraud risk management programme  
C. Performing and regularly updating the fraud risk assessment framework  
D. None of the above (1 mark)

93. Which of the following topics should be covered in employee anti-fraud training?  
A. A detailed explanation of how management is going to respond to fraud allegation  
B. A detailed explanation of the company's anti-fraud controls  
C. The exact procedures management uses to detect fraud  
D. None of the above (1 mark)

94. Inadequate oversight of management, a complex organisational structure, and deficient internal control components are all examples of which type of fraud risk factor relating to fraudulent financial reporting?  
A. Rationalisation  
B. Pressure  
C. Overriding of controls  
D. None of the above (1 mark)

95. Which of the following parties is responsible for fraud prevention in an organisation?  
A. Internal auditors  
B. Management  
C. All levels of personnel  
D. Board of Directors (1 mark)

96. Which of the following statement is **ACCURATE** according to the differential reinforcement theory?  
A. Behavior is modified by punishment  
B. Behavior is weakened when punishment is avoided  
C. Behavior is reinforced when punishment is applied  
D. None of the above (1 mark)

97. Which of the following is **NOT** an effective method of increasing the perception of detection?  
A. Requiring strong management oversight  
B. Forcing employees to take time off  
C. Conducting surprise audits  
D. Conducting forensic audits (1 mark)

98. Which of the following is **NOT** a principle pertaining to the information and communication component of the COSO's Internal Control - Integrated Framework?  
A. The organisation communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control internally  
B. The organisation put in place control activities to enforce the other controls  
C. The organisation obtains or generate and uses relevant, quality information to support the functioning of internal control  
D. None of the above (1 mark)

99. Which of the following statements is **NOT** accurate in regard to the role of human resource (HR) in fraud prevention?  
A. HR has responsibility for assessing and maintaining employees' sense of ownership  
B. HR has responsibility for developing employees' loyalty to the organisation  
C. HR can support in conducting employee's fraud risk assessment  
D. None of the above (1 mark)

100. Which of the following is a measure that employers can put in place to mitigate fraud risks associated with employees' greed?  
A. Proactive fraud audits  
B. Fraud awareness and education training  
C. Support programs for, alcohol, drugs abuse  
D. None of the above (1 mark)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 21 August 2023. Morning Paper.

Time Allowed: 3 hours.

Answer ALL questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.

1. Which of the following parties has overall responsibility for an organisation's fraud detection and prevention initiatives?
  - A. Board of directors
  - B. In-house legal counsel
  - C. Management
  - D. All of the above(1 mark)
  
2. According to B F Skinner, positive reinforcement measures are the most effective measures for modifying behaviour. Which of the following **BEST** describes positive reinforcement measures?
  - A. Positive reinforcement measures are examples of strong controls
  - B. Positive reinforcement measures are examples of preventive and detective controls
  - C. Positive reinforcement measures are examples of weak controls
  - D. All of the above(1 mark)
  
3. Which of the following should management **NOT** do, to create an anti-fraud culture?
  - A. Develop a code of ethics and compliance policies for all employees
  - B. Demonstrate zero tolerance for fraud and unethical behaviour
  - C. Create an open-door policy environment
  - D. None of the above(1 mark)
  
4. Which of the following is **TRUE** in regard to assignments and Certified Forensic Fraud Examiners (CFFE) in relation to conflict of interest?
  - A. A CFFE can accept an assignment where he/she has a major interest
  - B. A CFFE cannot accept an assignment where he/she has a major interest
  - C. A CFFE must be an accountant to conduct a forensic audit assignment
  - D. None of the above(1 mark)
  
5. Which of the following statements in regard to employees' reporting program is **ACCURATE**?
  - I. Some organisations are immune to fraud
  - II. Employees are encouraged to come forward and report suspected fraud
  - III. The employee's identity must be disclosed
  - IV. The report need not be made to the employee's manager or supervisor
  - A. I, II, III and IV
  - B. II and III
  - C. I, II, and IV
  - D. None of the above(1 mark)

6. According to the 2022 Report to the Nations, CFFE's estimate that organisations lose what percentage of their revenues to fraud and abuse each year?  
A. 10  
B. 2  
C. 4  
D. None of the above (1 mark)

7. Among the parties listed below, who plays a critical role in enhancing the reliability of financial information by attesting as to whether the financial statements prepared by management fairly present the financial position and past performance in compliance with applicable standards.  
A. Members of the Board of Directors  
B. Internal auditors  
C. Government regulators  
D. None of the above (1 mark)

8. Which of the following **BEST** describes the opportunity leg of the fraud triangle?  
A. "Management is perpetrating fraud, so it is not a big problem?"  
B. "I need money to repay my debts"  
C. "Possibility of detection is very low or none"  
D. "I have an emergency, I have no other means" (1 mark)

9. Law and morals are similar, though not everything that is immoral is illegal. Which of the following **BEST** describes the lowest level of reference for morals or ethical decisions?  
A. Policies and code of ethics  
B. Social control  
C. Philosophy of criminology  
D. None of the above (1 mark)

10. According to International Standard on Auditing (ISA) 240, the auditor is only concerned with fraud that:  
A. Is perpetrated by management by overriding controls  
B. Is perpetrated through collusion  
C. Is of high risk to the organisation  
D. None of the above (1 mark)

11. Silk and Vogel found that businesses rationalise illegal or non-compliant conduct. Which of the following did they find **NOT** a justification for violation?  
A. Violations is for purposes of retaining jobs security  
B. Compliance with government regulations is expensive  
C. The damage done by violations is distributed among a large number of parties  
D. None of the above (1 mark)

12. According to COSO, an internal control system should be designed to provide reasonable assurance regarding the achievement of the organisation's objectives. Which of the following is **NOT** an objective?  
A. The effectiveness and efficiency of the organisation's operations  
B. The financial reporting  
C. The organisation's compliance with the laws and regulations.  
D. None of the above (1 mark)

13. Which of the following is **NOT** a core principle of sound corporate governance?  
A. Fairness  
B. Responsibility  
C. Transparency  
D. None of the above (1 mark)

14. Which of the following parties has responsibility for the oversight of the organisation's financial, accounting, and audit matters?  
A. The Chief Finance Officer  
B. The audit committee  
C. The external auditors  
D. The board (1 mark)

15. Which of the following is **NOT** accurate in regard to fraud?  
A. A strong control is not necessarily effective  
B. Absence of internal controls is the main root cause of fraud  
C. Red flags and risks of fraud are not evidence of fraud  
D. An effective internal control system can reduce incidences of fraud (1 mark)

16. Which of the following is **ACCURATE** in regard to white-collar offences?  
A. White-collar case evidence is usually overwhelming  
B. White collar defendants are less likely to insist on a trial  
C. White collar defendants are more likely to be jailed  
D. None of the above (1 mark)

17. The theory that tries to prevent crime by using the threat of criminal sanctions is referred to as \_\_\_\_\_.  
A. Prevention  
B. Response  
C. Compliance  
D. None of the above (1 mark)

18. Which of the following is an effort to control corporate crime?  
A. Compliance and deterrence  
B. Fraud hotlines  
C. Involuntary changes in corporate culture  
D. None of the above (1 mark)

19. Several technology companies colluded to rig bids. They agreed that all the competent bidders refrain from bidding and let only one of the bidders bid. Which of the following is the crime perpetrated by the bidders?  
A. Organisational crime  
B. Occupational crime  
C. Both occupational and organisational crime  
D. None of the above (1 mark)

20. According to COSO, which of the following is **NOT** accurate in regard to control environment of an organisation?  
A. It provides a foundation for all other controls  
B. Sets the moral and ethical tone of the organisation  
C. It puts all other controls into action  
D. None of the above (1 mark)

21. Which of the following statements is **TRUE** in regard to white-collar crime?  
A. In white-collar crime cases like corruption, the higher an offender's status, the more likely the individual will not be imprisoned  
B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted  
C. In white-collar crime cases, the higher an offender's status, the more likely the individual will be acquitted  
D. None of the above (1 mark)

22. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control-Integrated Framework?  
A. Risk assessment  
B. Correction activities  
C. Control activities  
D. None of the above (1 mark)

23. Which of the following is **NOT** correct in regard to a corporation's board of directors?  
A. The directors represent only the shareholders  
B. The directors are generally elected by the company stakeholders  
C. The directors manage business operations by assessing the strategy and underlying purpose of management's decisions and actions  
D. The directors provide management over business operations by assessing the strategy and underlying purpose of management's decisions and actions (1 mark)

24. According to the 2022 Report to the Nations, which of the following is the **MOST** common fraud detection method?  
A. Internal audit  
B. External audit  
C. Management review  
D. None of the above (1 mark)

25. An organisation's corporate culture is effectively evaluated by which of the following procedures?  
A. Statements from the board and management in regard to their zero tolerance for fraud  
B. Conducting external audits  
C. Internal controls  
D. None of the above (1 mark)

26. According to B. F. Skinner's behaviourist theories, destructive workplace behaviour, such as fraud and corruption can be modified through which of the following controls?  
A. Strong internal controls  
B. Punishment  
C. Soft controls  
D. Hard internal controls (1 mark)

27. Strategy to control corporate crime that is designed to achieve conformity with the law by providing economic incentives for voluntary compliance with the law and using administrative efforts to control violations is referred to as \_\_\_\_\_.  
A. Deterrence  
B. Prevention  
C. Detection  
D. None of the above (1 mark)

28. Which of the following is **NOT** accurate in regard to the OECD Principles of Corporate Governance?  
A. Establishment of a framework to support good corporate governance practices  
B. An emphasis on the importance of timely, accurate, and transparent disclosure mechanisms  
C. Recognition of the importance of the role of stakeholders in corporate governance  
D. None of the above (1 mark)

29. Which of the following is **NOT** an example of non-shareable financial need leg of the fraud triangle?  
A. Debts  
B. Addiction problems  
C. Gambling  
D. None of the above (1 mark)

30. An organisation's ethics policy is an essential tool for fraud prevention. Which of the following is **NOT** correct in regard to an ethics policy?  
A. Access to the policy should be communicated to all company employees  
B. In developing the policy, management should consider how various members of the organisation define success  
C. In developing the policy, management should consider the existing ethical tone set by employees  
D. All the above (1 mark)

31. Regina, a Certified Forensic Fraud Examiner, conducted a fraud examination at ABC Corporation where Lucy is suspected of embezzlement of money. Regina later found out that Lucy is working for XYZ Corp, another client of hers. Under most of the anti-fraud and other professional bodies' Code of Professional Ethics, what should Regina do?  
A. Report the matter to the XYZ Corp Board  
B. Inform XYZ Corp Management  
C. Must exercise integrity by being honest with her client  
D. Exercise confidentiality (1 mark)

32. All professional organisations have codes of ethics. Which of the following is **NOT** a purpose of the code of ethics for professional organisations?

- A. Provide general solutions to professional ethical dilemmas that might not be found under general ethical principles
- B. Facilitate practical enforcement and profession-wide internal discipline
- C. To serve as an ethical reference and benchmark
- D. All of the above

(1 mark)

33. Which of the following parties has the primary responsibility for directing employees to carry out business activities and manage the expected performance?

- A. Board of directors
- B. Management
- C. The audit and risk committee
- D. None of the above

(1 mark)

34. Which of the following is an element of the Fraud Triangle?

- A. Social pressure
- B. Greed pressure
- C. Non-shareable financial pressure
- D. None of the above

(1 mark)

35. Effective ownership and reporting structures within an organisation are necessary to ensure which of the following principles of corporate governance?

- A. Transparency
- B. Accountability
- C. Responsibility
- D. All the above

(1 mark)

36. While conducting an investigation, a forensic fraud examiner is **NOT** permitted to express an opinion regarding which one of the following?

- A. The effectiveness of the internal control
- B. Failure to comply with IFRS
- C. Failure to comply with IAS
- D. None of the above

(1 mark)

37. The corporate governance principle that pertains to the duty of internal parties to act in the best interest of the organisation is referred to as \_\_\_\_\_.

- A. Accountability
- B. Transparency
- C. Fairness
- D. Responsibility

(1 mark)

38. According to the 2022 Report to the Nations, which of the three major categories of occupational fraud was the **MOST** common?

- A. Fraudulent disbursement
- B. Conflict of interest
- C. Embezzlement
- D. None of the above

(1 mark)

39. Which of the following statements is a function of Public Interest Oversight Board (PIOB)?

- A. Developing best practices for corporate governance for global organisations
- B. Establishing international standards for financial reporting
- C. Providing oversight over the process of setting international auditing standards
- D. All of the above

(1 mark)

40. Which of the following procedures is **NOT** a best practice that an external auditor can use to obtain information for identifying the risks of material misstatement due to fraud?

- A. Conduct interviews of the entity's management only, to obtain clear and accurate views on the risks of fraud
- B. Examine any unusual or unexpected relationships identified through analytical procedures
- C. Consider whether the information obtained from the risk assessment procedures indicates that fraud risk factors are present
- D. None of the above

(1 mark)

41. Which of the following is **NOT** accurate in regard to occupational fraud?  
A. Most occupational offenders have past criminal records  
B. Most of the occupational offenders are first offenders  
C. Most of the occupational offenders do not have prior criminal records  
D. None of the above (1 mark)

42. The primary responsibility for evaluating the effectiveness of the compliance program rests with \_\_\_\_\_.  
A. Internal auditor  
B. Management  
C. Compliance officer  
D. None of the above (1 mark)

43. Which of the following is a type of preventive anti-fraud controls?  
A. Continuous audit techniques  
B. Fair personnel practices  
C. Analytical data review  
D. None of the above (1 mark)

44. Preventive anti-fraud controls include all of the following **EXCEPT**?  
A. Independent reconciliations  
B. Fraud awareness training  
C. Hiring policies  
D. Segregation of duties (1 mark)

45. If employees perceive a high possibility of being caught perpetrating fraud, they would be demotivated from committing fraud. Which of the following procedures would discourage employees from engaging in fraudulent and corrupt activities?  
A. Fraud audits  
B. Fraud awareness training  
C. Code of ethics  
D. All the above (1 mark)

46. Which of the following statements is **ACCURATE** in regard to an effective internal control system?  
A. Well-designed and implemented internal control system is effective in fraud prevention  
B. An effective internal control system must be well-designed, implemented and enforced  
C. An effective internal control system must be well-designed, implemented and well enhanced  
D. All the above (1 mark)

47. Which of the following statements is **ACCURATE** in regard to fraud prevention?  
A. Fraud prevention is made up of procedures which in their aggregate minimise the occurrence of fraud while maximising the detection of fraud  
B. Fraud prevention is a process that provides reasonable assurance with regard to fraud prevention and detection  
C. A thorough fraud prevention control system can eliminate fraud risks  
D. None of the above (1 mark)

48. Which of the following is the primary foundation for the INTOSAI professional framework for auditing in the public sector?  
A. The call for supreme audit institutions to develop their own independence standards  
B. The call to keep government auditors employed by the organisations that they audit  
C. The call for supreme audit institutions to influence industry regulations  
D. The call for legislated independence of government auditing institutions (1 mark)

49. Which of the following statements is **NOT** correct in regard to employees' loyalty?  
A. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud on behalf of the organisation  
B. According to Diane Vaughan, an employee who is truly loyal to a company cannot perpetrate fraud on behalf of the organisation  
C. According to Diane Vaughan, an employee who is truly loyal to a company cannot perpetrate fraud against the organisation.  
D. None of the above (1 mark)

50. According to ISA 240, the auditor's assessment of the risk of material misstatement due to fraud at the financial statement level will **NOT** have an effect on which of the following aspect(s) of an audit?

- A. Selection of auditing procedures
- B. Assignment and supervision of personnel
- C. Consideration of accounting principles used
- D. None of the above

(1 mark)

51. Which of the following is **ACCURATE** in regard to the objectives of good corporate governance?

- A. Enhance the accuracy and reliability of the organisation's financial reports
- B. Detect financial misstatements, whether caused by errors or fraud
- C. Provide reasonable assurance regarding the organisation's compliance with applicable laws and regulations
- D. None of the above

(1 mark)

52. According to the authors of Crimes of the Middle Classes, which of the following factor is **NOT** accurate in regard to the rising problem of economic crime?

- A. An economy with increased reliance on credit
- B. The decreased opportunity for wrongdoing facilitated by advanced information technology
- C. The continued pressures of a culture that rewards affluence and success
- D. None of the above

(1 mark)

53. Which of the factors does **NOT** affect employees' ethical decisions?

- A. Tension between personal standards and organisational needs
- B. Industry and organisational ethical codes
- C. The law and other government regulations
- D. None of the above

(1 mark)

54. Which of the following fraud risk is associated with inadequate oversight over management in financial reporting?

- A. Low perception of detection
- B. Perceived situational pressure
- C. Collusion
- D. Opportunity

(1 mark)

55. Which of the following parties has responsibilities for assisting management in fraud risk management within an organisation?

- A. Compliance officer
- B. Management
- C. Board of Directors
- D. None of the above

(1 mark)

56. According to COSO, the effectiveness of the internal control system can be evaluated by assessing whether the five components of the COSO internal control integrated framework are in place and functioning effectively, and operating together in an integrated manner. Which of the following is **NOT** one of the components?

- A. Control environment
- B. Fraud risk assessment
- C. Information and communication
- D. None of the above

(1 mark)

57. Which of the following is **NOT** important for a company to consider in regard to establishment of a document retention policy?

- A. Specific rules for documenting and retaining records
- B. Specific requirements related to electronic documents
- C. Laws and regulations regarding recordkeeping requirements
- D. None of the above

(1 mark)

58. Which of the following statements is **NOT** accurate in regard to fraud examination and integrity?

- A. Fraud examination require independence of mental attitude and avoidance of conflict of interest
- B. Fraud examination require subordination of desires for personal gain to the interests of clients, employers and the public
- C. Fraud examination require that the examiner avoid situations where there are no professional rules applicable to determine what is right and wrong
- D. None of the above

(1 mark)

59. Which of the following is **NOT** the IOSCO Principles for Auditor Oversight in regard to audit?  
A. The oversight should be performed by a body that acts and is seen to act in the interest of the public  
B. The oversight involves a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures  
C. The oversight should take place within the audit firm, by professional associates only  
D. None of the above (1 mark)

60. According to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the internal audit team must **NOT** do which of the following exercise?  
A. Evaluate the risks of fraud  
B. Conduct fraud detection  
C. Conduct a fraud investigation in an audit engagement  
D. Evaluate the fraud risk management initiatives (1 mark)

61. Which of the following **BEST** describes the rationalisation leg of the fraud triangle?  
A. "I deserve more compensation for the work am doing?"  
B. "I need money to pay my up keep"  
C. "Possibility of detection is very low or none"  
D. None of the above (1 mark)

62. Which of the following **BEST** describes the opportunity leg of the fraud triangle?  
A. "Management and the board are engaging in a conflict of interest, so it is okay for me do the same"  
B. "I need money for an emergency"  
C. "The board oversight is not effective, so I can get away with it"  
D. "I have an emergency, I have no other way to solve the problem" (1 mark)

63. Which of the following **BEST** describes situational pressure due to unrealistic targets?  
A. "Management and the board are taking kickbacks, so it cannot be that bad" ?  
B. "I need money to pay my debts"  
C. "We have not met the profit targets; we must make the figures and make the shareholders happy"  
D. None of the above (1 mark)

64. Which of the following factors should an organisation **NOT** consider when designing the components of its compliance and ethics program?  
A. The effectiveness of the internal controls  
B. Law and regulatory environment  
C. Culture of the organisation  
D. Industry size and standards (1 mark)

65. Which of the following is **NOT** a principle involved in the risk assessment process as laid out by COSO?  
A. Conducting ongoing monitoring of the risk management strategy  
B. Assessing changes that could significantly impact the internal control system  
C. Setting clear organisational objectives  
D. Identifying risks of fraud (1 mark)

66. COSO identified five components that must be integrated into which of the following?  
A. Compliance program  
B. Ethics program  
C. Anti-fraud policy  
D. Internal control system (1 mark)

67. Which of the following is **NOT** a COSO interrelated component of a company's internal control system?  
A. Fraud risk oversight  
B. Risk assessment  
C. Governance and culture  
D. None of the above (1 mark)

68. Which of the following element is **NOT** desirable for a corporate compliance program?  
A. Due diligence in the hiring process  
B. Appropriate incentives for compliance with the program  
C. Continuous evaluation of the compliance program  
D. None of the above (1 mark)

69. Which of the following control helps to mitigate the risk of rationalisation?  
A. Fraud awareness training  
B. Proactive audit procedures  
C. Surprise audits  
D. None of the above (1 mark)

70. Which of the following is **NOT** a proactive fraud detection activity?  
A. Annual analytical review procedures  
B. Regular fraud assessment questioning  
C. Fraud audits  
D. None of the above (1 mark)

71. Which of the following is a criteria of fraud prevention health check-up that is related to the extent to which the board of directors have taken up their responsibility for fraud?  
A. Fraud risk ownership  
B. Fraud risk tolerance  
C. Fraud risk assessment  
D. Fraud risk oversight (1 mark)

72. Which of the following is **NOT** a component of a comprehensive ethics program?  
A. Focus on ethical leadership  
B. Vision statement  
C. Values statement  
D. Internal control system (1 mark)

73. Which of the following is **NOT** a desirable component of a comprehensive ethics program?  
A. A designated ethics official  
B. Ethics task force or committee  
C. Ethics communication and training  
D. None of the above (1 mark)

74. Which of the following is **NOT** a responsibility for the internal auditor while conducting an audit engagement?  
A. To design and make recommendations for internal controls  
B. Evaluate whether management is actively retaining responsibility for oversight of the fraud risk management program  
C. Consider fraud risks in the assessment of internal control design and determination of audit steps to perform  
D. None of the above (1 mark)

75. The commission formed in 1985 with the purpose of defining the auditor's responsibility for preventing and detecting fraudulent financial reporting is known as:  
A. COSO Commission  
B. Sarbanes Oxley  
C. International securities Commission  
D. The Treadway Commission (1 mark)

76. Which of the following is **NOT** good corporate governance practice?  
A. Define the relationships and expectations of the parties involved  
B. Provide clear lines of accountability and reporting  
C. Ensure that a few individuals are capable of making all the business decisions to avoid delays  
D. None of the above (1 mark)

77. Which of the following statements is **NOT** correct in regard to good corporate governance framework?  
A. It is rigid to ensure effectiveness  
B. Is appropriate for the organisation's legal and regulatory environment  
C. Takes into account the organisation's cultural and ethical environment  
D. None of the above (1 mark)

78. Which of the following statements is **ACCURATE** in regard to OECD Principles of Corporate Governance?

- A. The OECD Principles of Corporate Governance support establishing stronger protection for foreign shareholders than domestic shareholders
- B. The OECD Principles of Corporate Governance support establishing stronger protection for domestic shareholders than foreign shareholders
- C. The OECD Principles of Corporate Governance support equitable treatment for all shareholders
- D. None of the above

(1 mark)

79. According to the OECD Principles of Corporate Governance, which of the following is **NOT** correct in regard to the corporate governance framework?

- A. Ensure proportionate treatment of all shareholders, including minority and foreign shareholders
- B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs
- C. Ensure the timely and accurate disclosure of all material matters regarding the corporation
- D. None of the above

(1 mark)

80. Which of the following parties is responsible for holding the board of directors accountable for the organisation's resources?

- A. The external auditor
- B. The chair of the board
- C. Executive management
- D. Shareholders

(1 mark)

81. Which of the following is **NOT** a recommendation of the Treadway Commission to the audit committee to prevent financial statement fraud?

- A. To have written charter for the audit committee
- B. To be informed and vigilant
- C. To have adequate resources and authority
- D. None of the above

(1 mark)

82. Which of the following party is responsible for evaluating the effectiveness of the internal controls?

- A. Internal auditors
- B. External auditors
- C. The board of directors
- D. Management

(1 mark)

83. Effective corporate governance practices are desirable for any organisation. Which of the following organisation must have effective corporate governance practices?

- A. A limited partnership
- B. A sole proprietor enterprise
- C. A company that is trading securities
- D. A general partnership enterprise

(1 mark)

84. Which of the following **BEST** describes oversight responsibilities of different parties for an organisation's direction, operations and performance?

- A. Risk management
- B. Risk governance
- C. Corporate compliance
- D. Board of directors

(1 mark)

85. Which of the following **BEST** describes the principle related to clarity, accuracy, completeness and timeliness of the financial statements and other information provided by management to shareholders?

- A. Transparency
- B. Accountability
- C. Responsibility
- D. None of the above

(1 mark)

86. Which of the following is the **MOST** effective method of fraud prevention?

- A. Putting hard controls in place
- B. Putting strong controls in place
- C. Putting preventive controls in place
- D. None of the above

(1 mark)

87. Which of the following statements **BEST** describes reengineering of controls?  
A. Reengineering of controls involve enhancing the controls  
B. Reengineering of controls involve enforcing the controls  
C. Reengineering of controls involve compromising controls  
D. None of the above (1 mark)

88. Which of the following is **NOT** a control environment principle of the COSO that supports the design and implementation of an effective control environment?  
A. Personnel at all levels demonstrate commitment to integrity and ethical values  
B. Board should assist in the design and implementation of the internal control  
C. Organisation holds individuals accountable of internal controls in their respective departments  
D. None of the above (1 mark)

89. Which of the following is **NOT** a fraud risk assessment principle of the COSO?  
A. The organisation sets clear objectives to enable the detection and assessment of risks relating to the objectives  
B. The organisation identifies risks to the achievement of the objectives  
C. The organisation identifies changes that would significantly impact the system of internal controls  
D. None of the above (1 mark)

90. Which of the following is among the board's responsibilities for fraud risk management?  
A. Providing oversight over the design and implementation of controls to mitigate fraud risks  
B. Monitoring and proactively improving the fraud risk management programme  
C. Performing and regularly updating the fraud risk assessment  
D. None of the above (1 mark)

91. Which of the following fraud awareness matters should **NOT** be covered in employee anti-fraud training?  
A. An explanation of how management is going to respond to fraud allegation  
B. An explanation of the company's anti-fraud controls  
C. The exact procedures management uses to detect fraud  
D. None of the above (1 mark)

92. Lack of adequate oversight over management, a complex organisational structure and deficient internal control components are all examples of which type of fraud risk factor?  
A. Rationalisation  
B. Pressure  
C. Collusion  
D. None of the above (1 mark)

93. Which of the following party is responsible for fraud prevention in an organisation?  
A. Management  
B. Internal auditors  
C. All levels of personnel  
D. Board of Directors (1 mark)

94. Which of the following statements is **ACCURATE** according to the differential reinforcement theory?  
A. Behaviour is weakened by positive stimuli  
B. Behaviour is weakened when punishment is avoided  
C. Behaviour is reinforced when punishment is avoided  
D. None of the above (1 mark)

95. Which of the following is **NOT** an effective method of increasing the perception of detection?  
A. Requiring strong management oversight  
B. Forcing employees to take time off  
C. Conducting surprise audits  
D. Conducting fraud risk assessment (1 mark)

96. Which of the following is **NOT** a principle pertaining to the information and communication component of the COSO's Internal Control – Integrated Framework?

- A. The organisation communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control internally
- B. The organisation puts in place control activities to enforce the other controls
- C. The organisation obtains or generate, and uses relevant, quality information to support the functioning of internal control
- D. None of the above

(1 mark)

97. Which of the following statements is **NOT** accurate in regard to the role of human resource in fraud prevention?

- A. HR has responsibility to assess and maintain high level of morale, which is a fraud prevention measure
- B. HR has responsibility to monitor employee's morale, through observation, survey and open-door policy
- C. HR does not have a responsibility for fraud prevention
- D. None of the above

(1 mark)

98. Which of the following is **NOT** a measure that employers can put in place to mitigate fraud risks associated with employees' frustrations?

- A. Career development opportunities
- B. Special events for employees
- C. Support programs for, alcohol, drugs abuse
- D. Training and awareness

(1 mark)

99. The IOSCO Principles for Auditor Oversight, effective oversight of the auditing profession, does **NOT** include which of the following principles?

- A. The mechanism does not require auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession
- B. A mechanism to require that auditors have proper qualifications and competency
- C. A mechanism to require that auditors are independent of the enterprises that they audit
- D. All of the above

(1 mark)

100. Which of the following statements is **NOT** accurate in regard to internal controls related to fraud risks?

- A. A strong internal control system is effective in managing fraud risks
- B. A strong internal control system is not effective in managing fraud risks
- C. A strong internal control system must be integrated with positive reinforcement the controls to be effective in managing fraud risks
- D. None of the above

(1 mark)

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## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

**MONDAY: 24 April 2023. Morning Paper.**

**Time Allowed: 3 hours.**

**Answer ALL the questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.**

1. Anti-fraud/corruption professionals believe that, increasing the perception of detection is the most effective method of fraud/corruption prevention. Which of the following statement is **NOT** accurate in regard to increasing perception of detection?
  - A. To increase the perception of detection, parties in the organisation should not be made aware that the organisation would conduct surprise audits
  - B. To increase the perception of detection, parties in the organisation should be made aware that the organisation could conduct surprise audits
  - C. A surprise audit is a proactive fraud prevention activity that helps to increase the perception of detection
  - D. A surprise audit is a positive reinforcement measure, that helps to increase the perception of detection
2. Fraud Prevention Health Check-up is an inexpensive tool that can be used to evaluate an organisation's fraud prevention health. Which of the following **BEST** describes the component that creates a foundation for the internal control system?
  - A. Proactive detection
  - B. Risk ownership
  - C. Environmental anti-fraud controls
  - D. Fraud Risk tolerance and risk management
3. According to B. F. Skinner, positive reinforcement measures are the most effective measures of modifying behavior. Which of the following **BEST** describes positive reinforcement measures?
  - A. Positive reinforcement measures enhance the internal controls
  - B. Preventive and detective controls are examples of positive reinforcement measures
  - C. Positive reinforcement measures are examples of weak controls
  - D. None of the above
4. Which of the following should management **NOT** do, to create an anti-fraud culture?
  - A. Develop a code of ethics and compliance policies for all employees
  - B. Demonstrate zero tolerance for fraud and unethical behavior
  - C. Create an open-door policy environment
  - D. Demonstrate Zero tolerance for fraud risks
5. Which of the following is **NOT** accurate in regard to assignments and Certified Forensic Fraud Examiners?
  - A. A Certified Forensic Fraud Examiner cannot accept an assignment where he/she has a major interest
  - B. A Certified Forensic Fraud examiner must be an accountant to qualify to conduct a forensic audit assignment
  - C. A Certified Forensic Fraud Examiner must be a law enforcement officer
  - D. None of the above

6. Which of the following statements is **NOT** accurate in regard to the external auditor's responsibility for fraud?

- A. International Standard on Auditing ISA 240, has put express responsibility on the auditor to detect fraud in the course of auditing financial statements
- B. Auditors have a responsibility to identify fraud risks
- C. Auditors have no responsibility to identify fraud risks
- D. None of the above

7. Which of the following does **NOT** describe the pressure leg of the fraud triangle?

- A. "I am in a financial crisis"
- B. "I need money to repay my debts"
- C. "Possibility of detection is very high"
- D. "I have an emergency, I have no other way to solve the problem"

8. According to International Standard on Auditing (ISA) 240, the auditor is only concerned with fraud that:

- A. Is perpetrated by management and not employees
- B. Perpetrated through collusion
- C. Causes material misstatement in the financial statements
- D. None of the above

9. Silk and Vogel found that businesses rationalise illegal or noncompliant conduct. Which of the following statements is **NOT** a justification made by the businesses for their behavior?

- A. The purpose for violations is retaining jobs
- B. Compliance with government regulations is too expensive
- C. The damage is diffused among a large number of parties
- D. None of the above

10. According to COSO, an internal control system should be designed to provide reasonable assurance in the achievement of the organisation's objectives. Which of the following is **NOT** one of the objectives?

- A. The effectiveness and efficiency of the organisation's operations
- B. The financial reporting
- C. The organisation's compliance with the laws and regulations.
- D. None of the above

11. Which of the following is a core principle of sound corporate governance?

- A. Risk management
- B. Fairness
- C. Internal control
- D. None of the above

12. Which of the following parties is responsible for providing oversight over the design and implementation of the organisation's fraud prevention program?

- A. The Management
- B. The internal auditors
- C. The audit and risk committee
- D. None of the above

13. Which of the following parties is responsible for the design, implementation and monitoring of the effectiveness of the fraud prevention program?

- A. Internal auditor
- B. External auditor
- C. Management
- D. Compliance function

14. Which of the following statements is **ACCURATE** in regard to internal control system?

- A. An effective internal control system can eliminate fraud
- B. Absence of internal controls is the major root cause of fraud
- C. Red flags and risks of fraud are evidence of fraud
- D. None of the above

15. Which of the following is **NOT** correct in regard to white collar offenders?

- A. White collar defendants are less likely to plead guilty
- B. White collar defendants are more likely to plead guilty
- C. White collar defendants are more likely to be jailed
- D. All the above

16. Which of the following theory **BEST** describes the use of threat of criminal sanctions?

- A. Prevention
- B. Detection
- C. Compliance
- D. None of the above

17. Which of the following party in an organisation has responsibility for providing the first line of defence against fraud and corruption?

- A. Internal auditor
- B. Risk manager
- C. Compliance manager
- D. Line Manager

18. Organisations should make efforts to control corporate crime. Which of the following is an example of an approach that they should include?

- A. Internal audit
- B. Fraud hotlines
- C. Voluntary changes in corporate attitudes
- D. All of the above

19. The directors of ABC Company decided to inflate the company's revenue, and conceal expenditure, to show that the company has met the profit targets. Which of the following **BEST** describes the type of crime perpetrated by the directors?

- A. Organisational crime
- B. Occupational crime
- C. Both occupational and organisational crime
- D. None of the above

20. According to COSO, which of the following is **NOT** accurate in regard to the control environment of an organisation?

- A. It provides a foundation for all other controls
- B. Sets the moral and ethical tone of the organisation
- C. It provides for control activities which put other controls in action
- D. None of the above

21. Which of the following statements is **NOT** accurate in regard to white-collar crime?

- A. In white-collar crime cases like bribery, the higher the offender's status, the more likely the individual will be imprisoned
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will not be acquitted
- D. None of the above

22. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control-Integrated Framework?

- A. Control Environment
- B. Control activities
- C. Information and communication
- D. None of the above

23. Which of the following is **NOT** accurate in regard to a corporation's board of directors?

- A. The director's responsibility is to represent only the shareholders
- B. The directors are generally elected by the company stakeholders
- C. The directors provide oversight over business operations by assessing the strategy and underlying purpose of management's decisions and actions
- D. The directors provide management over business operations by assessing the strategy and underlying purpose of management's decisions and actions

24. Which of the following is considered the most common fraud detection method?

- A. Internal audit
- B. External audit
- C. Management review
- D. None of the above

25. Which of the following is **NOT** a measure that can be used to evaluate an organisation's corporate culture effectively?

- A. Statements from the board and management in regard to their zero tolerance for fraud
- B. Management's diligence in putting in place procedures to manage fraud risks
- C. Management's consistent disciplinary measures
- D. None of the above

26. According to B. F. Skinner's behaviorist theories, destructive workplace behavior, such as fraud and corruption can be modified through which of the following measures?

- A. Strong internal controls
- B. Punishment
- C. Preventive and detective measures
- D. Hard controls

27. A strategy to control corporate crime that is designed to achieve conformity with the law by providing economic incentives for voluntary compliance with the law and using administrative efforts to control violations is referred to as:

- A. Deterrence
- B. Prevention
- C. Detection
- D. None of the above

28. Which of the following is **NOT** accurate in regard to the OECD Principles of Corporate Governance?

- A. Establishment of a law, where governments should put in place an appropriate framework to support good corporate governance practices
- B. An emphasis on the importance of timely, accurate, and transparent disclosure mechanisms
- C. Recognition of the importance of the role of stakeholders in corporate governance
- D. All of the above

29. Which of the following is **NOT** one of the examples of the "non-shareable financial need" leg of the fraud triangle?

- A. Alcohol and drugs problem
- B. Addiction problems
- C. Gambling debts
- D. None of the above

30. An organisation's ethics policy is an essential tool for fraud prevention. Which of the following is **NOT** accurate in regard to an ethics policy?

- A. The ethics policy should be communicated to all company employees
- B. In developing the policy, management should consider how various members of the organization define success.
- C. In developing the policy, management should consider the existing ethical tone set by management
- D. None of the above

31. Sally, a CFFE, conducted a fraud examination at ABC Corporation where Abi is suspected of embezzlement. Sally later found out that Abi is working for XYZ Corp, another client of his. Under most of the anti-fraud and other professional bodies' Code of Professional Ethics, what code of ethics would guide Sally on what to do?

- A. Confidentiality
- B. Transparency
- C. Honesty and integrity
- D. None of the above

32. All Professional organisations have codes of ethics. Which of the following is **NOT** a purpose for the code of ethics for professional ethics?

- A. Provide more specific solutions to professional ethical dilemmas that might not be found under general ethical principles
- B. Facilitate practical enforcement and profession-wide internal discipline
- C. To serve as an ethical reference and benchmark
- D. None of the above

33. Which of the following parties is responsible for directing employees to carry out business activities and manage the expected performance?

- A. Board of directors
- B. Internal auditors
- C. The audit and risk committee
- D. Management

34. Which of the following **BEST** describes an element of the Fraud Triangle?

- A. Justification to commit fraud
- B. Pressure to achieve targets
- C. Low personal integrity
- D. None of the above

35. Effective ownership and reporting structures within an organisation are necessary to ensure which of the following principles of corporate governance?

- A. Transparency
- B. Accountability
- C. Responsibility
- D. All the above

36. A forensic fraud examiner, while conducting an investigation on alleged financial reporting is **NOT** permitted to express an opinion regarding which of the following?

- A. The effectiveness of the internal controls
- B. Failure to comply with IFRS
- C. Failure to comply with IAS
- D. None of the above

37. The corporate governance principle that pertains to the duty of internal parties to act in the best interest of the organisation is referred to as:

- A. Accountability
- B. Transparency
- C. Fairness
- D. None of the above

38. Which of the three major categories of occupational fraud is considered as most expensive?

- A. Fraudulent disbursement
- B. Financial statement fraud
- C. Asset misappropriations
- D. Embezzlement

39. The Public Interest Oversight Board (PIOB) includes which of the following functions?

- A. Developing best practices for corporate governance for global organisations
- B. Establishing international standards for financial reporting
- C. Providing oversight over the process of setting international auditing standards
- D. None of the above

40. Which of the following procedures should the external auditor **NOT** use to obtain information for identifying the risks of material misstatement due to fraud?

- Conduct interviews of the entity's management only, to obtain clear and accurate views on the risks of fraud
- Examine any unusual or unexpected relationships identified through analytical procedures
- Consider whether the information obtained from the risk assessment procedures indicates that fraud risk factors are present
- None of the above

41. Which of the following is **NOT** accurate in regard to occupational fraud?

- Most embezzlers are repeat offenders
- Most of the occupational offenders are first offenders
- Most of the occupational offenders do not have prior criminal records
- None of the above

42. The primary responsibility for evaluating the effectiveness of the compliance program rests with which of the following parties?

- Internal Auditor
- Management
- Board of Directors
- Compliance Officer

43. Which of the following is **NOT** a detective anti-fraud control?

- Continuous audit techniques
- Fraud training and awareness
- Analytical data review
- None of the above

44. Preventive anti-fraud controls include all the following **EXCEPT**?

- Analytical data reviews
- Fraud awareness training
- Hiring policies
- Segregation of duties

45. If an employee perceives high detection, he or she would be demotivated from committing fraud. Which of the following procedures would discourage individuals in an organisation from engaging in fraudulent and corrupt activities?

- Proactive forensic audits
- Regular forensic audits
- An anti-fraud policy
- All the above

46. Which of the following statements is **ACCURATE** in regard to an effective internal control system?

- Well-designed and implemented internal control system is effective in fraud prevention
- An effective internal control system must be well-designed, implemented, and enforced
- An effective internal control system must be well-designed, implemented and well enhanced
- All the above

47. Which of the following is **ACCURATE** in regard to fraud prevention?

- Fraud prevention is made up of a set of rules and procedures which in their aggregate encourage and discourage potential fraudster in engage in fraud
- Fraud prevention is a process that provides reasonable assurance with regard to fraud prevention and detection
- A thorough fraud prevention control system can eliminate fraud
- All the above

48. Which of the following is the primary foundation for the INTOSAI professional framework for auditing in the public sector?

- The call for supreme audit institutions to develop their own independence standards
- The call to keep government auditors employed by the organisations that they audit.
- The call for supreme audit institutions to influence industry regulations
- The call for legislated independence of government auditing institutions

49. Which of the following statement is **NOT** accurate in regard to employees' loyalty?

- According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud on behalf of the organisation
- According to Diane Vaughan, an employee who is truly loyal to a company cannot perpetrate fraud on behalf of the organisation
- According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud against the organisation.
- All the above

50. According to ISA 240, the auditor's assessment of the risk of material misstatement due to fraud at the financial statement level should **NOT** have an effect on which of the following aspect(s) of an audit?

- Selection of auditing tests and procedures
- Assignment and supervision of personnel
- Consideration of accounting principles applied
- None of the above

51. Which of the following is **ACCURATE** in regard to the objectives of good corporate governance?

- Enhance the accuracy and reliability of the organisation's financial reports
- Detect financial misstatements, whether caused by errors or fraud
- Provide reasonable assurance regarding the organisation's compliance with applicable laws and regulations
- None of the above

52. According to the authors of *Crimes of the Middle Classes*, which of the following factors is **NOT** accurate in regard to the rising problem of economic crime?

- The economy's increased reliance on credit
- The increased opportunity for wrongdoing facilitated by advanced information technology
- The continued pressures of a culture that rewards affluence and success
- None of the above

53. An employee anti-fraud training should include which of the following elements?

- A detailed information on how the organisation will be responding on each
- A detailed information of the organisation's anti-fraud controls
- A detailed information of the procedures management will use to detect fraud
- None of the above

54. Which of the factors does **NOT** affect employees' ethical decisions?

- Tension between personal standards and organisational needs
- Industry and organisational ethical codes
- The law and other government regulations
- None of the above

55. Which of the following fraud risk is associated with inadequate oversight over management, in financial reporting?

- Rationalisation
- Perceived situational pressure
- Pressures/incentives
- Opportunity

56. Which of the following parties is responsible for assisting management in fraud risk management within an organisation?

- Risk Management Officer
- Management
- Board of Directors
- All the above

57. According to COSO, the effectiveness of the internal control system can be evaluated by assessing whether the five components of the COSO internal control integrated framework are in place and functioning effectively, and operating together in an integrated manner. Which of the following is **NOT** one of the components?

- A. Control environment
- B. Fraud risk governance
- C. Information and communication
- D. Control Activities

58. Which of the following is **NOT** important for a company, to consider in regard to establishment of a document retention policy?

- A. Specific rules for documenting and retaining records
- B. Specific requirements related to electronic documents
- C. Laws and regulations regarding recordkeeping requirements
- D. None of the above

59. Which of the following statement is **NOT** correct in regard to fraud examination and integrity?

- A. Fraud examination require independence of mental attitude and avoidance of conflict of interest
- B. Fraud examination require subordination of desires for personal gain to the interests of clients, employers and the public
- C. Fraud examination require ability to analyse situations where there are no professional rules applicable and determine right from wrong
- D. None of the above

60. Which of the following is **NOT** in the IOSCO Principles for Auditor Oversight in regard to audit?

- A. The oversight should be performed by a body that acts and is seen to act in the interest of the client
- B. The oversight involves a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures
- C. The oversight should take place within the audit firm, by professional associates, and through government regulation
- D. All of the above

61. According to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the internal audit team must **NOT** do which one of the following?

- A. Evaluate the risks of fraud
- B. Identify red flags of fraud
- C. Evaluate the fraud risk management initiatives
- D. Conduct a fraud investigation alongside an audit engagement

62. The IOSCO Principles for Auditor Oversight, effective oversight of the auditing profession does **NOT** include which one of the following principles?

- A. The mechanism does not require auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession
- B. A mechanism to require that auditors have proper qualifications and competency
- C. A mechanism to require that auditors are independent of the enterprises that they audit
- D. All of the above

63. Which of the following **BEST** describes the rationalisation leg of the fraud triangle?

- A. "Management is taking big kickbacks, mine is just a token of appreciation"
- B. "I need money to pay for my up keep"
- C. "Possibility of detection is very low or none"
- D. "I have an emergency I have no other way to solve the problem"

64. Which of the following **BEST** describes the opportunity leg of the fraud triangle?

- A. "Management and the board are engaging in a conflict of interest, so it is okay"
- B. "I need money for an emergency"
- C. "I can override the controls"
- D. "I have an emergency I have no other way to solve the problem"

65. Which of the following **BEST** describes situational pressure due to unrealistic targets?

- A. "Management and the board are taking kickbacks, so it cannot be that bad"
- B. "I need money to pay my debts"
- C. "We have not met the revenue targets; we must make the figures meet the targets"
- D. "I have an emergency and I have no other way of solving the problem"

66. Which of the following factors should an organisation **NOT** consider when designing the components of its compliance and ethics program?

- A. Law and regulatory environment
- B. Recurrence of similar conduct
- C. Industry size and standards
- D. None of the above

67. Which of the following is **NOT** one of the principles involved in the risk assessment process, as laid out by COSO?

- A. Conducting ongoing monitoring of the risk management strategy
- B. Assessing changes that could significantly impact the internal control system
- C. Setting clear organisational objectives
- D. Identifying risks of fraud

68. COSO identified five components that must be integrated into which of the following?

- A. Compliance program
- B. Ethics program
- C. Anti-fraud policy
- D. None of the above

69. Which of the following is **NOT** one of the COSO interrelated components of a company's internal control system?

- A. Fraud risk oversight
- B. Risk assessment
- C. Fraud risk governance
- D. None of the above

70. Which of the following elements is **NOT** desirable for a corporate compliance program to be effective?

- A. Due diligence in the hiring process
- B. Appropriate incentives for compliance with the program
- C. Continuous evaluation of the compliance program
- D. None of the above

71. Which of the following controls **CANNOT** help to mitigate the risk of rationalisation?

- A. Fraud awareness training
- B. Employees support program
- C. Proactive audit procedures
- D. None of the above

72. Which of the following is **NOT** a proactive fraud detection activity?

- A. Regular analytical review procedures
- B. Regular fraud assessment questioning
- C. Training and awareness
- D. None of the above

73. Which of the following is a criteria of fraud prevention health check-up, that is related to the extent that the board of directors are providing oversight over fraud risk management?

- A. Fraud risk ownership
- B. Fraud risk tolerance
- C. Fraud risk assessment
- D. None of the above

74. Which of the following is **NOT** a component of a comprehensive ethics program?

- A. Focus on ethical leadership
- B. Vision statement
- C. Values statement
- D. None of the above

75. Which of the following is **NOT** a desirable component of a comprehensive ethics program?

- A. A designated Ethics official
- B. Ethics task force or committee
- C. Ethics communication and training
- D. None of the above

76. Which of the following is **NOT** a responsibility for the internal auditor while conducting an audit engagement?

- A. Conduct further investigation alongside the audit
- B. Evaluate whether management is actively retaining responsibility for oversight of the fraud risk management program
- C. Consider fraud risks in the assessment of internal control design and determination of audit steps to perform
- D. None of the above

77. The commission formed in 1985 with the purpose of defining the auditor's responsibility for preventing and detecting fraud is known as:

- A. COSO Commission
- B. Sarbanes Oxley
- C. International securities commission
- D. None of the above

78. Which of the following is **NOT** good corporate governance practice?

- A. Define the relationships and expectations of the parties involved
- B. Provide clear lines of accountability and reporting
- C. Ensure that a few individuals are not capable of making all the business decisions without influence, input or approval of other parties.
- D. None of the above

79. Which of the following is **NOT** correct in regard to Good corporate governance framework?

- A. It is flexible
- B. Is appropriate for the organisation's legal and regulatory environment
- C. Takes into account the organisation's cultural and ethical environment
- D. None of the above

80. Which of the following statements is **ACCURATE** in regard to OECD principles of Corporate Governance?

- A. The OECD Principles of Corporate Governance support establishing stronger protection for foreign shareholders than domestic shareholders
- B. The OECD Principles of Corporate Governance support establishing stronger protection for domestic shareholders than foreign shareholders
- C. The OECD Principles of Corporate Governance support equitable treatment for all shareholders
- D. None of the above

81. According to the OECD Principles of Corporate Governance on an entity's corporate governance framework, which of the following is **NOT** accurate?

- A. Ensure proportionate treatment of all shareholders, including minority and foreign shareholders
- B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs
- C. Ensure the timely and accurate disclosure of all material matters regarding the corporation
- D. None of the above

82. Which of the following party is responsible for holding the board of directors accountable for the shareholder's resources?

- A. The external auditor
- B. The chairman of the board
- C. Executive management
- D. None of the above

83. Which of the following is **NOT** a recommendation of the Treadway Commission to the audit committee to prevent financial statement fraud?

- A. To have written charter for the audit committee
- B. To be informed and vigilant
- C. To have adequate resources and authority
- D. None of the above

84. Which of the following parties is responsible for directing employees to carry out business activities and managing their performance of those tasks?

- A. Shareholders
- B. External auditors
- C. The board of directors
- D. Management

85. Effective corporate governance practices are desirable for any organisation. Which of the following organisations must have effective corporate governance practices?

- A. A limited partnership
- B. A sole proprietor enterprise
- C. A public company
- D. A general partnership enterprise

86. Which of the following **BEST** describes oversight responsibilities of different parties for an organisation's direction, operations and performance?

- A. Risk management
- B. Risk governance
- C. Corporate compliance
- D. None of the above

87. Which of the following **BEST** describes the principle related to clarity, accuracy, completeness, and timeliness of the financial statements and other information provided by management to shareholders?

- A. Fairness
- B. Accountability
- C. Responsibility
- D. None of the above

88. Which of the following is the **MOST** effective method of fraud prevention?

- A. Putting detective controls in place
- B. Putting strong controls in place
- C. Putting preventive controls in place
- D. All the above

89. Which of the following statement **BEST** describes reengineering of controls?

- A. Reengineering of controls involves enhancing the controls
- B. Reengineering of controls involves enforcing the controls
- C. Reengineering of controls involves compromising controls
- D. Reengineering of controls is an art or reorganising the existing controls

90. Which of the following is **NOT** a control environment principle of the COSO that supports the design and implementation of an effective control environment?

- A. Personnel at all levels demonstrate commitment to integrity and ethical values
- B. Board should be independent of management and oversee the design and implementation of the internal control
- C. Organisation holds individuals accountable of internal controls
- D. None of the above

91. Which of the following is **NOT** a fraud risk assessment principle of the COSO?

- A. The organisation sets clear objectives to enable the identification and assessment of risks relating to the objectives
- B. The organisation identifies risks to the achievement of the objectives
- C. The organisation identifies changes that would significantly impact the system of internal controls
- D. None of the above

92. Which of the following is among the board's responsibilities for fraud risk management?

- A. Design and implementation of controls to mitigate the risks
- B. Monitoring and proactively improving the fraud risk management programme
- C. Performing and regularly updating the fraud risk assessment
- D. None of the above

93. Which of the following topics should be covered in employee anti-fraud training?

- A. A detailed explanation of how management is going to respond to fraud allegation
- B. A detailed explanation of the company's anti-fraud controls
- C. The exact procedures management uses to detect fraud
- D. None of the above

94. Inadequate oversight of management, a complex organisational structure, and deficient internal control components are all examples of which type of fraud risk factor relating to fraudulent financial reporting?

- A. Rationalisation
- B. Pressure
- C. Opportunity
- D. Collusion

95. Which of the following parties is responsible for fraud prevention in an organisation?

- A. Internal auditors
- B. External auditors
- C. All levels of personnel
- D. Board of Directors

96. Which of the following statements is **ACCURATE** according to the differential reinforcement theory?

- A. Behaviour is weakened by positive stimuli
- B. Behaviour is weakened when punishment is avoided
- C. Behaviour is reinforced when punishment is applied
- D. None of the above

97. Which of the following is **NOT** an effective method of increasing the perception of detection?

- A. Requiring strong management oversight
- B. Forcing employees to take time off
- C. Conducting surprise audits
- D. Conducting forensic audits

98. Which of the following is **NOT** a principle pertaining to the information and communication component of the COSO's Internal Control - Integrated Framework?

- A. The organisation communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control internally
- B. The organisation puts in place control activities to enforce the other controls
- C. The organisation obtains or generates and uses relevant, quality information to support the functioning of internal control
- D. None of the above

99. Which of the following statements is **NOT** accurate in regard to the role of HR in fraud prevention?

- A. HR has responsibility to assess and maintain high level of morale, which is a fraud prevention measure
- B. HR has responsibility to monitor employee's morale, through observation, survey and open-door policy
- C. HR can support fraud risk assessments
- D. None of the above

100. Which of the following is **NOT** a measure that employers can put in place to mitigate fraud risks associated with employees' frustrations?

- A. Career development opportunities
- B. Special events for employees
- C. Support programs for, alcohol, drugs abuse
- D. None of the above



## CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

### MODULE THREE

#### FRAUD PREVENTION AND DETECTION

MONDAY: 5 December 2022. Morning Paper.

Time Allowed: 3 hours.

Answer ALL the questions by indicating the letter (A, B, C or D) that represents the correct answer. This paper is made up of one hundred (100) Multiple Choice Questions. Each question is allocated one (1) mark.

1. Which of the following parties has the ultimate responsibility for an organisation's fraud detection and prevention initiatives?
  - A. Board of directors
  - B. In-house legal counsel
  - C. Management
  - D. Risk consultant
  
2. According to B F Skinner, positive reinforcement measures are the most effective measures of modifying behaviour. Which of the following **BEST** describes positive reinforcement measures?
  - A. Positive reinforcement measures are examples of strong controls
  - B. Positive reinforcement measures are examples of soft control
  - C. Positive reinforcement measures are examples of weak controls
  - D. Positive reinforcement are not associated with controls
  
3. Which of the following should management **NOT** do to create an anti-fraud culture?
  - A. Develop a code of ethics and compliance policies for employees only
  - B. Demonstrate zero tolerance for fraud and unethical behaviour
  - C. Create an open-door policy environment
  - D. Develop an anti-fraud policy
  
4. Which of the following is **TRUE** in regard to assignments and Certified Forensic Fraud Examiners?
  - A. A Certified Forensic Fraud Examiner can accept an assignment where he/she has a major interest
  - B. A Forensic Fraud Examiner, cannot accept an assignment where he/she has a major interest
  - C. A Certified Forensic Fraud must be an accountant to conduct a forensic audit assignment
  - D. None of the above
  
5. Read the following statements:
  - I. Some organisations are immune to fraud
  - II. Employees are encouraged to come forward and report suspected fraud
  - III. The employee's identity must be disclosed
  - IV. The report need not be made to the employee's manager or supervisor

Which of the above statements with regard to employees' reporting program is **TRUE**?

- A. I, II, III and IV
- B. II and III
- C. I, II, and IV

D. II and IV

6. According to the 2022 Report to the Nations, fraud professionals estimate that organisations lose what percentage of their revenues to fraud and abuse each year?

- A. 10 %
- B. 2%
- C. 4%
- D. 5%

7. Among the parties listed below, who plays a critical role in enhancing the reliability of financial information by attesting as to whether the financial statements present a fair position?

- A. Members of the Board of Directors
- B. Internal auditors
- C. Government regulators
- D. External auditors

8. Which of the following **BEST** describes the rationalisation leg of the fraud triangle?

- A. “Management is perpetrating fraud, so it cannot be that bad”
- B. “I need money to repay my debts”
- C. “Possibility of detection is very low or none”
- D. “I have an emergency, I have no other way to solve the problem”

9. Law and morals differ in that not everything that is immoral is **illegal**. Therefore, the lowest level of reference for making moral or ethical decisions is:

- A. Individual ethics and morals
- B. Philosophical principles
- C. The law
- D. Philosophy of criminology

10. According to International Standard on Auditing (ISA) 240, the auditor is only concerned with fraud that:

- A. Is perpetrated by management and not employees
- B. Perpetrated through collusion
- C. Causes immaterial misstatement in the financial statements
- D. None of the above

11. Which of the following is **NOT** one of the ways that businesses rationalise illegal or noncompliant conduct?

- A. Violations is for retaining job security
- B. Compliance with government regulations is not expensive
- C. The damage done by violations is diffused among a large number of parties
- D. All of the above

12. According to COSO, an internal control system should be designed to provide reasonable assurance regarding the achievement of the organisation's objectives. Which of the following is **NOT** one of the objectives?

- A. The effectiveness and efficiency of the organisation's operations
- B. The financial performance growth and nonfinancial information to the users of the information
- C. The organisation's compliance with the laws and regulations.
- D. All of the above

13. Which of the following is **NOT** one of the core principles of sound corporate governance?

- A. Accountability
- B. Fairness
- C. Compliance

D. Transparency

14. Of the following parties, who has responsibility for the oversight of the organisation's financial, accounting, and audit matters?

- A. The Chief Finance Officer
- B. The internal auditors
- C. The external auditors
- D. None of the above

15. Which of the following is **TRUE** about fraud?

- A. A strong and effective internal control system can eliminate fraud
- B. Absence of internal controls is the major root cause of fraud
- C. Red flags and risks of fraud are evidence of fraud
- D. An effective internal control system can reduce incidences of fraud

16. Which of the following is **TRUE** about white collar offences?

- A. White-collar case evidence is usually overwhelming
- B. White collar defendants are less likely to insist on a trial
- C. White collar defendants are more likely to insist on a trial
- D. None of the above

17. The theory that tries to prevent crime by using the threat of criminal sanctions is referred to as:

- A. Prevention
- B. Deterrence
- C. Punishment
- D. Compliance

18. Efforts to control corporate crime generally include which of the following approaches?

- A. Internal control
- B. Fraud hotlines
- C. Voluntary changes in corporate attitudes
- D. All of the above

19. Several construction companies colluded to rig bids. They agreed that all the competent bidders refrain from submitting their bid and let only one of the bidders bid. Which of the following is the crime perpetrated by the bidders?

- A. Organisational crime
- B. Occupational crime
- C. Both occupational and organisational crime
- D. None of the above

20. According to COSO, which of the following is **NOT** correct about the control environment of an organisation?

- A. It provides a foundation for all other controls
- B. Sets the moral and ethical tone of the organization
- C. It provides for identification of the organization's fraud risks
- D. All of the above

21. Which of the following statements is **TRUE** with regard to white-collar crime?

- A. In white-collar crime cases like corruption, the higher an offender's status, the more likely the individual will be imprisoned
- B. In white-collar crime cases, the higher an offender's status, the more likely the individual will be convicted
- C. In white-collar crime cases, the higher an offender's status, the more likely the individual will not be imprisoned
- D. None of the above

22. The evaluation and communication of internal control deficiencies in a timely manner to those parties responsible for taking corrective action is a principle related to which component of COSO's Internal Control-Integrated Framework?

- A. Risk assessment
- B. Monitoring
- C. Control activities
- D. Information and communication

23. Which of the following is **TRUE** with regard to a corporation's board of directors?

- A. The directors represent only the shareholders
- B. The directors are generally elected by the company stakeholders
- C. The directors provide oversight over business operations by assessing the strategy and underlying purpose of management's decisions and actions
- D. The directors provide management over business operations by assessing the strategy and underlying purpose of management's decisions and actions

24. Which of the following is the most common fraud detection method?

- A. Internal audit
- B. External audit
- C. Management review
- D. Tip

25. An organisation's corporate culture is effectively evaluated by which of the following procedures

- A. Statements from the board and management in regard to their zero tolerance for fraud
- B. Conducting external audits
- C. Internal controls
- D. None of the above

26. According to B. F. Skinner's behaviorist theories, destructive workplace behavior, such as fraud and corruption can be modified through which of the following?

- A. Strong internal controls
- B. Punishment
- C. Soft controls
- D. Hard internal controls

27. A strategy to control corporate crime that is designed to achieve conformity with the law by providing economic incentives for voluntary compliance with the law and using administrative efforts to control violations is referred to as:

- A. Deterrence
- B. Compliance
- C. Prevention
- D. Detection

28. Which of the following is not **CORRECT** in regard to the OECD Principles of Corporate Governance?

- A. Establishment of a law, where governments should put in place an appropriate framework to support good corporate governance practices
- B. An emphasis on the importance of timely, accurate, and transparent disclosure mechanisms
- C. Recognition of the importance of the role of stakeholders in corporate governance
- D. All of the above

29. Which of the following is **NOT** one of the examples of the non-shareable financial need leg of the fraud triangle?

- A. A need to buy a house
- B. Addiction problems
- C. Gambling debts
- D. All of the above

30. An organisation's ethics policy is an essential tool for fraud prevention. Which of the following is **NOT** correct in regard to an ethics policy?

- A. Access to the policy should be communicated to all company employees
- B. In developing the policy, management should consider how various members of the organisation define success.
- C. In developing the policy, management should consider the existing ethical tone set by employees.
- D. All the above

31. PK, a Certified Forensic Fraud Examiner, conducted a fraud examination at ABC Ltd. where Moses is suspected of embezzlement of money. PK later found out that Moses is working for XYZ Ltd., another client of his. Under most of the anti-fraud and other professional bodies' Code of Professional Ethics, what should PK do?

- A. Report the matter to the XYZ Ltd.'s Board
- B. Inform XYZ Ltd.'s Management
- C. Inform police if the evidence is sufficient
- D. None of the above

32. Most professional organisations have codes of ethics. Which of the following is **NOT** a purpose of the code of ethics for professional ethics?

- A. Provide more general solutions to professional ethical dilemmas that might not be found under general ethical principles
- B. Facilitate practical enforcement and profession-wide internal discipline
- C. To serve as an ethical reference and benchmark
- D. All of the above

33. Which of the following parties is responsible for directing employees to carry out business activities and manage the expected performance?

- A. External auditors
- B. Internal auditors
- C. The audit and risk committee
- D. None of the above

34. Which of the following is an element of the Fraud Triangle?

- A. Social pressure
- B. Perceived situational pressure
- C. Personal integrity
- D. None of the above

35. Effective ownership and reporting structures within an organisation are necessary to ensure which of the following principles of corporate governance?

- A. Transparency
- B. Accountability
- C. Responsibility
- D. All the above

36. A forensic fraud examiner, while conducting an investigation, is **NOT** permitted to express an opinion regarding which one of the following?

- A. The guilt or innocence of a suspect
- B. Failure to comply with IFRS
- C. Failure to comply with IAS
- D. None of the above

37. The corporate governance principle that pertains to the duty of internal parties to act in the best interest of the organisation is referred to as:

- A. Accountability
- B. Transparency
- C. Fairness
- D. Responsibility

38. Which of the three known major categories of occupational fraud is the most common?

- A. Fraudulent disbursement

B. Conflict of interest  
C. Asset misappropriations  
D. Embezzlement

39. A Public Interest Oversight Board (PIOB) in a country normally includes which one of the following functions?  
A. Developing best practices for corporate governance for global organisations  
B. Establishing international standards for financial reporting  
C. Providing Oversight over the process of setting international auditing standards  
D. All of the above

40. Which of the following procedures should the external auditor **NOT** use to obtain information for identifying the risks of material misstatement due to fraud?  
A. Conduct interviews of the entity's management only, to obtain clear and accurate views on the risks of fraud  
B. Examine any unusual or unexpected relationships identified through analytical procedures  
C. Consider whether the information obtained from the risk assessment procedures indicates that fraud risk factors are present  
D. All of the above

41. Which of the following is **NOT** true in regard to occupational fraud?  
A. Most of occupational offenders are repeat offenders  
B. Most of the occupational offenders are first offenders  
C. Most of the occupational offenders do not have prior criminal records  
D. All the above

42. The primary responsibility for evaluating the effectiveness of the compliance program rests with?  
A. Internal auditor  
B. Management  
C. Board of directors  
D. None of the above

43. Preventive anti-fraud controls include which one of the following?  
A. Continuous audit techniques  
B. Anti-fraud prevention policy  
C. Analytical data review  
D. None of the above

44. Preventive anti-fraud controls include all the following **EXCEPT**?  
A. Fraud audit  
B. Fraud awareness training  
C. Hiring policies  
D. Segregation of duties

45. If an individual perceives a high possibility of being caught perpetrating fraud, he or she would be demotivated from committing fraud. Which of the following procedures would discourage individuals in an organisation from engaging in fraudulent and corrupt activities?  
A. Proactive fraud audits  
B. Fraud awareness training  
C. An anti-fraud policy  
D. All the above

46. Which of the following statements is **CORRECT** in regard to an effective internal control system?  
A. Well-designed and implemented internal control system is effective in fraud prevention  
B. An effective internal control system must be well-designed, implemented, and enforced  
C. An effective internal control system must be well-designed, implemented and well enhanced  
D. All the above

47. Which of the following is **ACCURATE** in regard to fraud prevention?  
A. Fraud prevention is made up of a set of rules and procedures which in their aggregate minimise the occurrence of fraud while maximising the detection of fraud  
B. Fraud prevention is a process that provides reasonable assurance with regard to fraud prevention and detection

C. A thorough fraud prevention control system can eliminate fraud  
D. All the above

48. Which of the following is the primary foundation for the INTOSAI professional framework for auditing in the public sector?  
A. The call for supreme audit institutions to develop their own independence standards  
B. The call to keep government auditors employed by the organisations that they audit.  
C. The call for supreme audit institutions to influence industry regulations  
D. The call for legislated independence of government auditing institutions

49. Which of the following statements is **TRUE** with regard to employees' loyalty?  
A. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud on behalf of the organisation  
B. According to Diane Vaughan, an employee who is truly loyal to a company cannot perpetrate fraud on behalf of the organisation  
C. According to Diane Vaughan, an employee who is truly loyal to a company can perpetrate fraud against the organisation.  
D. All the above

50. According to ISA 240, the auditor's assessment of the risk of material misstatement due to fraud at the financial statement level should have an effect on which of the following aspect(s) of an audit?  
A. Selection of auditing procedures  
B. Assignment and supervision of personnel  
C. Consideration of accounting principles used  
D. All of the above

51. Which of the following is **ACCURATE** in regard to the objectives of good corporate governance?  
A. Enhance the accuracy and reliability of the organisation's financial reports  
B. Detect financial misstatements, whether caused by errors or fraud  
C. Provide reasonable assurance regarding the organisation's compliance with applicable laws and regulations.  
D. Encourage the efficient use of resources and require accountability for the stewardship of the resources

52. According to the authors of Crimes of the Middle Classes, which of the following factors is **NOT** correct in regard to the rising problem of economic crime?  
A. The economy's increased reliance on credit  
B. The decreased opportunity for wrongdoing facilitated by advanced information technology  
C. The continued pressures of a culture that rewards affluence and success  
D. All of the above

53. An employees' anti-fraud training should include which of the following elements?  
A. Information on how the organisation responded to previous offences  
B. A detailed information of the organisation's anti-fraud controls  
C. A detailed information of the procedures management will use to detect fraud  
D. All of the above

54. Which of the factors below does **NOT** affect employees' ethical decisions?  
A. Tension between personal standards and organisational needs  
B. Industry and organisational ethical codes  
C. The law and other government regulations  
D. None of the above

55. Inadequate oversight over management, is an example of which type of fraud risk factor relating to fraudulent financial reporting?  
A. Rationalisation  
B. Perceived situational pressure  
C. Pressures/ incentives  
D. None of the above

56. Which of the following parties has responsibility to aid shareholder in fraud prevention and detection within an organisation?  
A. Internal auditors

B. Management  
C. Board of directors  
D. All the above

57. According to COSO, the effectiveness of the internal control system can be evaluated by assessing whether the five components of the COSO internal control integrated framework are in place and functioning effectively, and operating together in an integrated manner. Which of the following is **NOT** one of the components?  
A. Control environment  
B. Internal controls  
C. Information and communication  
D. Control Activities

58. Which of the following is **NOT** important for a company, to consider in regard to establishment of a document retention policy?  
A. General rules for documenting and retaining records  
B. Specific requirements related to electronic documents  
C. Laws and regulations regarding recordkeeping requirements  
D. All of the above

59. In relation to fraud examination and integrity, which of the following is **NOT** desirable?  
A. Independence of mental attitude and avoidance of conflict of interest  
B. Subordination of desires for personal gain to the interests of clients, employers and the public  
C. An ability to analyse situations where only professional rules are specifically applicable and determine right from wrong  
D. All of the above

60. Which of the following is **NOT** an IOSCO Principle for Auditor Oversight in regard to audit?  
A. Be performed by a body that acts and is seen to act in the interest of the client  
B. Involve a regular review process designed to ascertain whether audit firms adhere to quality control policies and procedures  
C. Take place within the audit firm, by professional associates, and through government regulation  
D. All of the above

61. According to The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the internal audit team must **NOT** do which one of the following?  
A. Evaluate the risks of fraud  
B. Identify red flags of fraud  
C. Evaluate the fraud risk management initiatives  
D. Investigate fraud where red flags are identified

62. The IOSCO Principles for Auditor Oversight, effective oversight of the auditing profession do **NOT** include which one of the following principles?  
A. The mechanism does not require auditors to be subject to the discipline of an auditor oversight body that is independent of the audit profession  
B. A mechanism to require that auditors have proper qualifications and competency  
C. A mechanism to require that auditors are independent of the enterprises that they audit  
D. All of the above

63. Which of the following **BEST** describes the rationalisation leg of the fraud triangle?  
A. "Management and the board is taking kickbacks, so it cannot be that bad?"  
B. "I need money to pay my debts"  
C. "Possibility of detection is very low or none"  
D. "I have an emergency I have no other way to solve the problem"

64. Which of the following **BEST** describes the opportunity leg of the fraud triangle?  
A. "Management and the board is engaging in a conflict of interest, so it is okay"  
B. "I need money for an emergency"  
C. "I have the skills to perpetrate and conceal the fraud"  
D. "I have an emergency I have no other way to solve the problem"

65. Which of the following **BEST** describes situational pressure fraud scale developed by Dr. Steve Albrecht?  
A. "Management and the board are taking kickbacks, so it cannot be that bad?"

B. "I need money to pay my debts"  
 C. "We have not met the profits targets; we must make the figures meet the targets  
 D. "I have an emergency and I have no other way of solving the problem"

66. Which of the following factors should an organisation **NOT** consider when designing the components of its compliance and ethics programme?  
 A. Age of the organisation  
 B. Recurrence of similar conduct  
 C. Industry size and standards  
 D. All of the above

67. Which of the following is **NOT** one of the principles involved in the risk assessment process, as laid out by COSO?  
 A. Conducting ongoing monitoring of the risk management strategy  
 B. Assessing changes that could significantly impact the internal control system  
 C. Setting clear organisational objectives  
 D. Considering the potential for fraud

68. COSO identified five components that must be integrated to which of the following?  
 A. Compliance program  
 B. Ethics program  
 C. Internal control framework  
 D. None of the above

69. Which of the following is **NOT** one of the COSO interrelated components of a company's internal control system?  
 A. Control environment  
 B. Risk assessment  
 C. Assurance function  
 D. None of the above

70. Which of the following elements is **NOT** desirable for a corporate compliance program to be effective?  
 A. Due diligence in the hiring process  
 B. Appropriate incentives for compliance with the programme  
 C. One-off evaluation of the compliance programme  
 D. All of the above

71. Which of the following is an example of controls that can minimise rationalisation?  
 A. Fraud awareness training  
 B. Employees support program  
 C. Proactive audit procedures  
 D. None of the above

72. Which of the following is **NOT** one of the proactive fraud detection measures?  
 A. Regular analytical review procedures,  
 B. Regular fraud assessment questioning  
 C. Routine audits  
 D. None of the above

73. Which of the following is a criteria of fraud prevention health check-up, that is related to, the extent that the board of directors are providing oversight over fraud risk management?  
 A. Fraud risk oversight  
 B. Fraud risk tolerance  
 C. Fraud risk assessment  
 D. None of the above

74. Which of the following is **NOT** a component of a comprehensive ethics program?  
 A. Focus on ethical leadership  
 B. Vision statement  
 C. Values statement  
 D. None of the above

75. Which of the following is **NOT** a desirable component of a comprehensive ethics program?  
 A. Ethics official with other major responsibilities

B. Ethics task force or committee  
C. Ethics communication strategy  
D. Ethics training

76. Which of the following is **NOT** a responsibility that the internal auditor should carry out in conducting an audit engagement?  
A. Evaluate the indicators of fraud and decide whether any further action is necessary or whether the auditor should conduct further investigation alongside the audit  
B. Evaluate whether management is actively retaining responsibility for oversight of the fraud risk management program  
C. Consider fraud risks in the assessment of internal control design and determination of audit steps to perform  
D. All of the above

77. The commission formed in 1985 with the purpose of defining the responsibility of the auditor in preventing and detecting fraud is known as the:  
A. COSO Commission  
B. Treadway Commission  
C. International securities commission  
D. None of the above

78. Which of the following is **NOT** a good corporate governance practice?  
A. Define the relationships and expectations of the parties involved  
B. Provide clear lines of accountability and reporting  
C. Ensure that a few individuals are capable of making all the business decisions without influence, input or approval of other parties.  
D. All of the above

79. Which of the following is **NOT** true in regard to a good corporate governance framework?  
A. It is not flexible  
B. Is appropriate for the organisation's legal and regulatory environment  
C. Takes into account the organisation's cultural and ethical environment  
D. None of the above

80. Which of the following is **CORRECT** in regard to OECD and Corporate Governance?  
A. The OECD Principles of Corporate Governance support establishing stronger protection for foreign shareholders than domestic shareholders  
B. The OECD Principles of Corporate Governance support establishing stronger protection for domestic shareholders than foreign shareholders  
C. The OECD has developed a detailed corporate governance policy that can be effectively applied to all organisations  
D. None of the above

81. According to the OECD Principles of Corporate Governance, which of the following is **NOT** correct on a corporate governance framework?  
A. Ensure proportionate treatment of all shareholders, including minority and foreign shareholders.  
B. Encourage active cooperation between corporations and stakeholders in creating wealth and jobs  
C. Ensure the timely and accurate disclosure of all material matters regarding the corporation  
D. All of the above

82. Who is responsible for holding the board of directors accountable for proper governance and oversight?  
A. The external auditors  
B. The shareholders  
C. The chairman of the board  
D. Executive management

83. Which of the following was **NOT** one of the recommendations of the Treadway Commission for the audit committee to reduce the risk of fraudulent financial reporting?

- A. To have written charter for the audit committee
- B. To have a mandatory independent audit committee
- C. To have adequate resources and authority
- D. To have basic Knowledge on matters that pertain to their responsibility

84. Which of the following parties is responsible for directing employees to carry out business activities and managing their performance of those tasks?

- A. Shareholders
- B. External auditors
- C. The board of directors
- D. None of the above

85. Effective corporate governance practices are most important for which of the following organisations?

- A. A wholesale shop
- B. A sole-practitioner medical clinic
- C. A financial institution listed in the stock exchange
- D. A General partnership enterprise

86. Which of the following **BEST** describe oversight responsibilities of different parties for an organisation's direction, operations and performance.

- A. Risk management
- B. Corporate governance
- C. Corporate compliance
- D. None of the above

87. Which of the following **BEST** describes the principle related to clarity, accuracy, completeness, and timeliness of the financial statements and other information provided by management to shareholders.

- A. Fairness
- B. Accountability
- C. Transparency
- D. Responsibility

88. Which of the following is the most effective method of fraud prevention?

- A. Increasing perception of detection
- B. Putting strong controls in place
- C. Punishing offenders
- D. All the above

89. Which of the following is **NOT** a method of reengineering controls?

- A. Gender balance in a high fraud risk area
- B. Ethnic balance in a high fraud risk area
- C. Enhancing controls in a high fraud risk area
- D. None of the above

90. Which of the following is **NOT** a control environment principle of the COSO that supports the design and implementation of an effective control environment?

- A. Personnel at all levels demonstrate commitment to integrity and ethical values
- B. Management demonstrate commitment to integrity and ethical values
- C. Board should be independent of management and oversee the design and implementation of the internal control
- D. Organisation holds individuals accountable on internal controls

91. Which of the following is **NOT** a fraud risk assessment principle of the COSO

- A. The organisation sets clear objectives to enable the identification and assessment of risks relating to the objectives
- B. The organisation identifies risks to the achievement of the objectives
- C. The organisation identify changes that would significantly impact the system of internal controls
- D. The organisation puts control activities in place to mitigate the fraud risk

92. Which of the following is among the audit committee's responsibilities for fraud risk management?

- A. Design and implementation of controls to mitigate the risks
- B. Monitoring and proactively improving the fraud risk management programme
- C. Performing and regularly updating the fraud risk assessment
- D. None of the above

93. Which of the following should be covered in employee anti-fraud training?

- A. Examples of past incidences of fraud and how the organisation responded
- B. A detailed explanation of the company's anti-fraud controls
- C. The exact procedures management uses to detect fraud
- D. All of the above

94. Which of the following is **NOT** a factor that affects employees' ethical decisions:

- A. Balance between personal standards and organizational needs
- B. Financial pressure
- C. Social pressure
- D. None of the above

95. Ineffective monitoring of management, a complex organisational structure, and deficient internal control components are all examples of which type of fraud risk factor relating to fraudulent financial reporting?

- A. Rationalisations
- B. Pressures
- C. Collusion
- D. None of the above

96. Which of the following parties is responsible for fraud prevention in an organisation?

- A. Internal auditors
- B. External auditors
- C. All levels of personnel
- D. Board of directors

97. Which of the following is **CORRECT** according to differential reinforcement theory?

- A. Behavior is weakened by positive stimuli
- B. Behavior is weakened when punishment is avoided
- C. Behavior is reinforced through positive reinforcement
- D. None of the above

98. Clinard and Yeager believe that corporate crimes are increasingly difficult to detect because:

- A. Accounting techniques are more complex
- B. Criminals are smarter
- C. Violations are more complex
- D. None of the above

99. Which of the following is **NOT** an effective method of increasing the perception of detection?

- A. Requiring strong management oversight
- B. Forcing employees to take time off
- C. Conducting special audits
- D. All of the above

100. Which of the following is **NOT** a principle pertaining to the information and communication component of the COSO's Internal Control—Integrated Framework?

- A. The organisation communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control internally
- B. The organisation communicates only with internal parties regarding matters affecting the functioning of internal control
- C. The organisation obtains or generate and uses relevant, quality information to support the functioning of internal control
- D. All of the above