



CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

POST PROFESSIONAL QUALIFICATION

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 20 April 2026. Afternoon 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 statements **BEST** describes the term “fraud risk”?
 - A. The certainty that fraudulent activities will occur within the organisation
 - B. A situation or event that makes an organisation vulnerable to fraud
 - C. The total value of financial losses caused by fraudulent activities
 - D. A fraud risk is a red flag of fraud(1 mark)

2. Which one of the following statements is **NOT** a component of fraud risk management?
 - A. Commitment to ethical conduct and fraud risk governance
 - B. Fraud risk assessment processes within the organisation
 - C. Monitoring and evaluation of fraud risk management activities
 - D. Preparation of financial statements within the organisation(1 mark)

3. Which one of the following statements is **ACCURATE** in regard to fraud risk management?
 - A. Fraud risk management focuses only on detecting fraudulent activities within the organisation
 - B. Fraud risk management involves coordinated activities for preventing, detecting and responding to fraud risks
 - C. An effective fraud risk management programme completely eliminates all fraud risks within the organisation
 - D. Evaluation of fraud risk management programme is the responsibility for management(1 mark)

4. Which one of the following statements is a key objective of fraud risk management?
 - A. Eliminating all fraud risks within the organisation
 - B. Reducing the organisation’s exposure to fraud risks
 - C. Investigating all suspected fraud cases
 - D. Responding to fraud incidents after they have occurred(1 mark)

5. Which one of the following statements **BEST** describes the term “tone at the top”?
 - A. Leadership commitment to ethics and integrity
 - B. Financial reporting by management
 - C. Independence of internal audit
 - D. Corporate commitment to society(1 mark)

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6. Which one of the following risks is associated with weak segregation of duties?
- A. Pressure
 - B. Opportunity
 - C. Rationalisation
 - D. Integrity
- (1 mark)
7. Which one of the following statements is **NOT** accurate regarding fraud risk assessment?
- A. It is a process of identifying potential fraud schemes within the organisation
 - B. It involves identifying and assessing fraud risks within the organisation
 - C. It is a process focused on detecting fraud incidents after they occur
 - D. It involves evaluating the likelihood and impact of fraud risks
- (1 mark)
8. Which one of the following statements **BEST** describes the term “fraud risk register”?
- A. A document that records fraud risks identified within the organisation
 - B. A document that records only operational fraud risks within the organisation
 - C. A document that records only residual fraud risks within the organisation
 - D. A document that records only high-level fraud risks within the organisation
- (1 mark)
9. Which one of the following statements is **ACCURATE** regarding fraud prevention?
- A. It focuses primarily on investigating fraud incidents
 - B. It aims at reducing opportunities for fraud
 - C. It eliminates organisational risks
 - D. It focuses on identifying fraud after it has occurred
- (1 mark)
10. Which one of the following risk factors may increase fraud risk within an organisation?
- A. Weak internal controls
 - B. Effective governance structures
 - C. Unethical organisational culture
 - D. Weak internal audit department
- (1 mark)
11. Which one of the following statements is **ACCURATE** regarding fraud detection?
- A. It involves measures implemented to completely eliminate fraud risks
 - B. It involves control activities designed to identify fraudulent activities
 - C. It focuses on preventing fraud from occurring within the organisation
 - D. It involves assessing fraud risks before they materialise
- (1 mark)
12. Which one of the following terminologies is a common fraud detection technique?
- A. Data analytics
 - B. Fraud risk assessment
 - C. Fraud audit
 - D. Internal audit
- (1 mark)
13. Which one of the following statements is **ACCURATE** regarding an organisation’s fraud risk culture?
- A. It is determined solely by the effectiveness of internal controls
 - B. It reflects the organisation’s attitudes and behaviours towards fraud
 - C. It focuses only on detecting fraudulent activities within the organisation
 - D. It eliminates the risk of fraud within the organisation
- (1 mark)

14. Which one of the following factors is **NOT** motivates an individual to commit fraud?
- A. Financial pressure
 - B. Rationalisation of unethical behaviour
 - C. Low likelihood of detection
 - D. Strong sense of personal integrity
- (1 mark)
15. Which one of the following statements is the primary driver of ethical behaviour in managing fraud risks within an organisation?
- A. Financial incentives and performance targets
 - B. Shared organisational values and ethical expectations
 - C. External regulatory requirements
 - D. Internal control procedures
- (1 mark)
16. Which one of the following statements is **ACCURATE** regarding strong internal controls?
- A. Strong internal controls eliminate all fraud risks within the organisation
 - B. Strong internal controls reduce the likelihood of fraud occurring within the organisation
 - C. Strong internal controls focus only on detecting fraud after it has occurred
 - D. Strong internal controls are the sole responsibility of internal audit
- (1 mark)
17. Which one of the following statements is the **MOST** critical in ensuring effective corporate governance?
- A. Financial performance targets
 - B. Independence of the board
 - C. Marketing strategies
 - D. Operational efficiency
- (1 mark)
18. Which one of the following statements **BEST** explains the concept of fraud investigation?
- A. Identification and examination of suspected fraud incidents
 - B. Performance of routine internal audit procedures
 - C. Preparation of financial forecasts for planning purposes
 - D. Preparation of organisational budgets for planning purposes
- (1 mark)
19. Which one of the following statements is the **MOST** indicative of a potential fraud risk within an organisation?
- A. Unusual accounting entries
 - B. Increased customer satisfaction
 - C. Low employee morale
 - D. Increased sales revenue
- (1 mark)
20. Which one of the following approaches is the **MOST** appropriate for managing residual and emerging fraud risks within an organisation?
- A. Conducting periodic fraud risk assessments across all risk areas
 - B. Implementing continuous monitoring mechanisms for evolving fraud risks
 - C. Focusing mitigation efforts only on high-risk fraud areas
 - D. Assigning responsibility for monitoring fraud risks solely to internal audit
- (1 mark)
21. Which one of the following statements is a key role of the board of directors in fraud risk management?
- A. Developing and implementing internal control procedures
 - B. Providing oversight and commitment to the fraud risk management programme
 - C. Conducting detailed fraud risk assessments within departments
 - D. Delivering fraud awareness training to employees
- (1 mark)

22. Which one of the following statements is **ACCURATE** regarding fraud risk response?
- A. Mitigating identified fraud risks
 - B. Detecting possible fraud schemes
 - C. Eliminating identified fraud risks
 - D. Establishing strong internal controls
- (1 mark)
23. Which one of the following activities is **NOT** a fraud risk management activity?
- A. Fraud risk identification
 - B. Fraud risk assessment
 - C. Fraud risk detection
 - D. Fraud risk mitigation
- (1 mark)
24. Which one of the following statements is the **MOST** accurate regarding fraud control activities?
- A. Measures implemented to prevent and detect fraud within the organisation
 - B. Measures implemented to eliminate all fraud risks within the organisation
 - C. Activities focused only on investigating fraud after it has occurred
 - D. Procedures designed solely to assess fraud risks within the organisation
- (1 mark)
25. Which one of the following statements is **ACCURATE** regarding an effective internal control system?
- A. It consists only of preventive controls within the organisation
 - B. It includes both preventive and detective controls within the organisation
 - C. It focuses solely on detecting fraud after it has occurred
 - D. It eliminates all fraud risks within the organisation
- (1 mark)
26. Which one of the following fraud risks is the **MOST** commonly associated with management in an organisation?
- A. Opportunity
 - B. Conflict of interest
 - C. Override of controls
 - D. Low perception of detection
- (1 mark)
27. Which one of the following statements **BEST** describes a fraud risk assessment framework that focuses on identifying and assessing individual fraud risks?
- A. Macro fraud risk assessment framework
 - B. Micro fraud risk assessment framework
 - C. Enterprise Fraud risk management framework
 - D. Integrated internal control framework
- (1 mark)
28. Which one of the following fraud risks is the **MOST** difficult to mitigate through internal controls?
- A. Management override of controls
 - B. Employees collusion
 - C. Misappropriation of funds
 - D. Low personal integrity
- (1 mark)
29. Which one of the following situations indicates a fraud red flag within an organisation?
- A. Increased employee fraud awareness training programmes
 - B. High sense of ownership among employees
 - C. Lack of regular fraud audits in specialised department
 - D. Strong control environment
- (1 mark)

30. Which one of the following statements is a major benefit of fraud risk management?
- A. Enables an organisation to identify and understand its fraud risks
 - B. Guarantees increased profits through fraud risk mitigation
 - C. Eliminates all organisational risks
 - D. Eliminates the occurrence of fraud within the organisation
- (1 mark)
31. Which one of the following fraud risk factors is the **MOST** closely associated with an individual's desire for personal wealth?
- A. Rationalisation
 - B. Social influence
 - C. Pressure
 - D. Opportunity
- (1 mark)
32. Which one of the following statements is **ACCURATE** in regard to an organisation's fraud risk appetite?
- A. An organisation can only accept low levels of fraud risk
 - B. Fraud risk appetite is the level of fraud risk an organisation is willing to accept
 - C. Fraud risk appetite reflects a high tolerance for fraud within the organisation
 - D. A well-managed organisation should not have any fraud risk appetite
- (1 mark)
33. Which one of the following statements is a key component of fraud risk assessment?
- A. Likelihood of the fraud risk occurring
 - B. Implementation of fraud control measures
 - C. Investigation of fraud incidents
 - D. Reporting of fraud cases
- (1 mark)
34. Which one of the following statements is a key objective of fraud awareness training?
- A. Increasing organisational sales and profitability levels
 - B. Reducing the number of organisational employees
 - C. Improving employees' ability to recognise fraud red flags
 - D. Eliminating all risks within the organisation
- (1 mark)
35. Which one of the following statements is the primary purpose of a fraud reporting programme?
- A. To encourage employees to disclose suspected fraud
 - B. To eliminate all fraud risks within the organisation
 - C. To monitor employee behaviour within the organisation
 - D. To reduce the organisation's risk appetite
- (1 mark)
36. Which one of the following statements is **NOT** accurate regarding fraud detection systems?
- A. Analysis of unusual organisational transactions
 - B. Identification of fraudulent activities within the organisation
 - C. Guarantee of zero fraud incidents within the organisation
 - D. Support for organisational investigative processes
- (1 mark)
37. Which one of the following statements is a key role of internal audit in fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management programme
 - B. Implementing fraud risk management controls within the organisation
 - C. Developing the organisation's fraud risk management programme
 - D. Managing day-to-day fraud risk monitoring activities
- (1 mark)

38. Which one of the following statements is the **BEST** practice for effectively managing fraud risks within an organisation?
- A. Increasing approval authority levels
 - B. Developing and implementing adequate detective controls
 - C. Increasing supervisory review procedures
 - D. Strengthening employee accountability mechanisms (1 mark)
39. Which one of the following statements is the **MOST** critical for the effective implementation of fraud risk management principles?
- A. Strong governance structures and ethical leadership
 - B. Strong internal controls
 - C. Integration of controls in all the processes
 - D. Organisational employee training programmes (1 mark)
40. Which one of the following statements **BEST** reflects the role of effective preventive controls?
- A. Investigating fraud cases after they have occurred
 - B. Reporting fraud incidents to regulatory authorities
 - C. Evaluating employee performance within departments
 - D. Reducing the occurrence of fraud within an organisations (1 mark)
41. Which one of the following actions is a direct example of an economic crime?
- A. Fraudulent payments
 - B. Misappropriation of funds
 - C. Misapplication of funds
 - D. Wasteful expenditure (1 mark)
42. Which one of the following statements is a risk directly associated with a procurement process?
- A. Repeated awards to the same supplier
 - B. Reduced operational costs
 - C. Wasteful expenditure
 - D. Improved service delivery (1 mark)
43. Which one of the following statements is **ACCURATE** regarding risk mitigation and risk acceptance?
- A. Risk mitigation involves continuous monitoring while risk acceptance involves eliminating the risk
 - B. Risk mitigation involves implementing preventive and detective controls while risk acceptance involves taking no further action
 - C. Risk mitigation involves eliminating risks completely, while risk acceptance involves reducing risks
 - D. Risk mitigation involves ignoring risks, while risk acceptance involves implementing controls (1 mark)
44. Which one of the following COSO components specifically requires the consideration of fraud risk?
- A. Risk assessment
 - B. Control activities
 - C. Control environment
 - D. Monitoring (1 mark)
45. Which one of the following statements is a key role of management in fraud risk management?
- A. Evaluating the fraud risk management programme
 - B. Monitoring the effectiveness of the fraud risk management programme
 - C. Reporting fraud cases to external regulators
 - D. Approving the organisation's audit plan (1 mark)

46. Which one of the following statements demonstrates that an organisation has a high-risk tolerance?
- A. The organisation has not defined its risk appetite
 - B. The organisation accepts only low levels of risk
 - C. The organisation avoids high-risk activities
 - D. The organisation accepts high levels of risk in certain areas
- (1 mark)
47. Which one of the following statements is **NOT** accurate regarding a culture that embraces fraud risk management?
- A. It promotes ethical behaviour
 - B. It discourages fraud
 - C. It helps to eliminate fraud
 - D. It supports accountability
- (1 mark)
48. Which one of the following statements **BEST** describes the concept of fraud risk evaluation?
- A. Determining the likelihood and impact of identified fraud risks
 - B. Implementing preventive and detective controls to address fraud risks
 - C. Identifying potential fraud risks within the organisation
 - D. Detecting fraudulent activities within the organisation
- (1 mark)
49. Which one of the following parties is the fraud risk owner in the finance department?
- A. Management
 - B. Risk manager
 - C. Internal audit
 - D. Head of finance
- (1 mark)
50. Which one of the following factors is a key environmental factor that increases fraud risk within an organisation?
- A. Business pressure
 - B. Strong internal controls
 - C. Effective risk management function
 - D. High employee accountability
- (1 mark)

SECTION II (50 MARKS)

51. (a) Explain the concept of fraud risk management strategy. (2 marks)
- (b) Discuss **FOUR** fraud risk management strategies that can be implemented to reduce an organisation's exposure to fraud. (8 marks)
- (c) Assess **FIVE** criteria used in conducting a micro fraud risk assessment to support the development of a fraud risk assessment framework. (10 marks)
- (Total: 20 marks)**
52. (a) Summarise **FIVE** challenges that an organisation may encounter when developing a fraud risk management programme. (5 marks)
- (b) Analyse **FIVE** benefits of integrating fraud risk management into Enterprise Risk Management (ERM). (10 marks)
- (Total: 15 marks)**
53. Evaluate **FIVE** roles of corporate governance structures in prevention and detection of fraud within organisations. (Total: 10 marks)
54. Identify **FIVE** major components of an effective fraud risk management programme within an organisation. (Total: 5 marks)
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FRAUD RISK MANAGEMENT

MONDAY: 1 December 2025. Afternoon Paper.

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SECTION I (50 MARKS)

1. Which one of the following is **NOT** a fraud risk mitigation control?
A. Fraud risk assessment
B. Code of ethics
C. Surprise audits
D. Fraud and awareness training (1 mark)
2. Which one of the following statements is **NOT** accurate in regard to basic hard controls _____.
A. cannot mitigate fraud risks
B. cannot minimise incidences of fraud
C. cannot affect the detection of fraudulent activities
D. can maximise the detection of fraudulent activities (1 mark)
3. Which one of the following techniques for gathering information during a fraud risk assessment enables the fraud risk assessor to observe the interactions among several employees as they collectively discuss a question or issue?
A. Interviews
B. Survey
C. Focus group
D. Hotline (1 mark)
4. Which one of the following is **NOT** a sub component of macro fraud risk index?
A. Environmental index
B. Governance index
C. Prevent and detect index
D. Culture fraud risk index (1 mark)
5. Which one of the following risks is **NOT** associated with fraudulent financial reporting?
A. Adequate oversight
B. Improper recognition of revenue
C. Inadequate disclosures
D. Concealment of misappropriation of assets (1 mark)
6. Which one of the following is **NOT** an external fraud risk?
A. Cybercrime
B. Identity theft
C. Computer hacking
D. Embezzlement (1 mark)

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7. Which one of the following statements is **NOT** accurate in regard to the appropriate method of responding to a high fraud risk?
- A. Segregation of duties
 - B. Management should look for fraud in high fraud risk areas
 - C. Management should enhance scrutiny in high fraud risk areas
 - D. Management should put quality controls in place to mitigate high fraud risk areas (1 mark)
8. Which one of the following statements is **ACCURATE** in regard to monitoring and evaluation of a fraud risk management programme?
- A. Monitoring of fraud risk management programme is an occasional process
 - B. Monitoring of the fraud risk is conducted by management while evaluation is conducted by independent parties
 - C. Management evaluation of fraud risk management programme would be more objective than that of independent consultants
 - D. Monitoring and evaluation of fraud risk management is the basically similar processes (1 mark)
9. Which one of the following statements is **ACCURATE** in regard to an organisation's fraud risk tolerance?
- A. An organisation that has zero tolerance for fraud cannot accept any fraud risk
 - B. An organisation that has zero tolerance for fraud cannot accept any other risk apart from low fraud risk
 - C. An organisation that has zero tolerance for fraud should mitigate fraud risks to zero level
 - D. An organisation that has zero tolerance for fraud should design and implement quality fraud controls (1 mark)
10. Which one of the following statements **BEST** describes the balancing of preventive and detective controls?
- A. Enhancing and enforcing preventive and detective controls
 - B. Developing and implementing more detective controls
 - C. Developing and implementing effective controls
 - D. Developing and implementing more preventive controls (1 mark)
11. Which one of the following is an inherent fraud risk associated with the board and management?
- A. Ineffective controls
 - B. Weak controls
 - C. Corruption
 - D. The culture of the organisation (1 mark)
12. Which one of the following statements is **NOT** a method of fostering a culture of integrity to reduce fraud risks?
- A. Promoting ethical decision-making at all levels
 - B. Enhancing trust and morale among employees
 - C. Promoting ethic based performance
 - D. Promoting performance (1 mark)
13. Which one of the following offences is associated with both internal and external fraud risks?
- A. Occupational fraud
 - B. Information technology
 - C. Bribery
 - D. Organisational fraud (1 mark)
14. Which one of the following judgements should an assessment team make in the evaluation of residual risk?
- A. Biased judgement
 - B. Objective judgement
 - C. Qualified judgement
 - D. Subjective judgement (1 mark)
15. Which one of the following statements is **MOST** accurate in regard to high fraud risk?
- A. Organisations should respond to high risks of fraud by eliminating the risks
 - B. Organisations should respond to high risks of fraud by reducing the risk and looking for fraud
 - C. Organisations should respond to high risks of fraud by assuming the risk
 - D. Organisations should respond to high risks of fraud by avoiding the risk (1 mark)

16. Which one of the following statements is **ACCURATE** in regard to quality fraud controls?
- A. It is the responsibility of the board to put in place quality fraud-related controls
 - B. Quality controls help to increase the prevent and detect fraud index
 - C. Quality controls are those that are well-designed and implemented
 - D. Quality controls help to decrease the prevent and detect fraud index
- (1 mark)
17. Which one of the following statements describes how organisations should respond to employees' fraud risk in specialised areas that have high residual risk?
- A. Transferring the risk
 - B. Monitor the risk by implementing regular preventive controls
 - C. Avoiding the risk by eliminating an activity
 - D. Conducting regular surprise audits and independent fraud audits
- (1 mark)
18. Which one of the following is **NOT** a fraud risk factor that should be added to the fraud risk register?
- A. Fraudulent organisation culture
 - B. Inadequate oversight
 - C. Weak controls
 - D. Wrong tone at top
- (1 mark)
19. Which one of the following risks is an inherent _____.
- A. high notification index
 - B. right tone at the top
 - C. lack of ownership
 - D. high perception of detection
- (1 mark)
20. Which one of the following statements is **MOST** accurate in regard to fraud risk appetite?
- A. Management must establish an acceptable level of fraud risk
 - B. Fraud risk appetite must always be low at all levels and processes
 - C. Fraud risk appetite for management override of controls should be medium
 - D. Fraud risk appetite for management override of controls must be low
- (1 mark)
21. Which one of the following statements is **NOT** accurate in regard to high perception of detection in managing fraud risk?
- A. High perception of detection cannot help in reducing fraud risks
 - B. High perception of detection should not be mitigated further
 - C. High perception of detection is not an inherent risk of fraud
 - D. High perception of detection is a residual risk
- (1 mark)
22. Which one of the following statements is **ACCURATE** in regard to lack of risk ownership in relation to fraud?
- A. Risk owners are not deployed in risk management function
 - B. Risk owners do not require good knowledge in fraud risk management
 - C. Risk owners should provide the third line of defense against fraud
 - D. Risk owners should provide the second line of defense against fraud
- (1 mark)
23. Which one of the following is **NOT** a control activity procedure?
- A. Independent reconciliations
 - B. Data analysis
 - C. Continuous audit techniques
 - D. Segregation of duties
- (1 mark)
24. Which one of the following statements is **NOT** accurate in regard to what an organisation should do with the results of a fraud risk assessment?
- A. Monitor key controls
 - B. Conduct an investigation in high fraud risk areas
 - C. Hold action holders accountable for response
 - D. Look for fraud in high-risk areas
- (1 mark)
25. Which one of the following parties is a suitable member of the fraud risk assessment team?
- A. Law enforcement officer
 - B. External consultant with fraud and risk expertise
 - C. External auditors
 - D. Industry regulator
- (1 mark)

26. Which one of the following is **NOT** an effect of bid rigging fraud risk?
A. Rotational winning of bids
B. Inflated bid prices
C. Fraudulent disbursement
D. Price fixing (1 mark)
27. Which one of the following is **NOT** considered a procurement fraud risk?
A. Untrained staff
B. Bid tailoring
C. Bid rigging
D. Bid manipulation (1 mark)
28. Which one of the following statements is **NOT** a criteria of assessing a fraud risk?
A. The likelihood of the risk being exploited
B. The impact of the risk if it materialised
C. The effectiveness of the internal controls
D. The strength of the internal controls (1 mark)
29. Which one of the following statements is **NOT** accurate in regard to why management can be high risk of fraud?
A. Inadequate oversight
B. Lack of capacity
C. Absence of controls
D. Low Perception of detection (1 mark)
30. Which one of the following responses can eliminate fraud risks?
A. Increasing the perception of detection
B. Putting quality controls in place
C. Mitigating the risk
D. Avoiding the risk (1 mark)
31. Which one of the following **BEST** describes performing background checks?
A. Fraud detective control
B. Fraud preventive control
C. Basic hard control
D. A strong control (1 mark)
32. Which one of the following statements is **NOT** a fraud risk governance consideration for establishing an effective fraud risk governance?
A. Organisational commitment to fraud risk governance
B. Fraud risk governance support by the board of directors
C. Fraud investigation team communicates results of the investigation
D. Establishing a comprehensive fraud risk policy (1 mark)
33. Which one of the following is a consideration related to the fraud control principle?
A. Establish appropriate measurement criteria
B. Conduct investigations
C. Analysing internal and external factors
D. Use proactive data analytics procedures (1 mark)
34. Which of the following are factors for consideration related to fraud risk management monitoring activities?
A. Evaluate, communicate and remediate deficiencies
B. Perform periodic reassessments and assess changes to fraud risk
C. Integrate with fraud risk assessment
D. Consider various types of fraud (1 mark)
35. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment in relation to mitigation of fraud risks?
A. The fraud risk assessment helps to identify and assess fraud risks and put in place controls that are commensurate with the risks
B. The fraud risk assessment helps to create awareness of the organisation's fraud risk
C. The fraud risk helps an organisation to identify what makes it most vulnerable to fraud
D. Fraud risk helps in increasing the perception of detection (1 mark)

36. Which one of the following statements is **ACCURATE** in regard to fraud risk assessment frameworks?
- A. A macro fraud risk assessment focuses on the individual fraud risk index, while the micro fraud risk assessment focuses on the overview of the fraud index
 - B. A micro fraud risk assessment is based on two components fraud risk index and the leadership profile, while the macro fraud risk assessment identify and assesses individual risks
 - C. A macro fraud risk assessment focuses on the overview of the fraud risk index, while the micro fraud risk assessment identify and assesses individual risks
 - D. A micro fraud assessment focuses on risks not associated with an organisation while a macro assessment focuses on individual risks (1 mark)
37. Which one of the following risks are associated with employees?
- A. Override of controls
 - B. Failure to exercise due care
 - C. Bid rigging
 - D. Collusion (1 mark)
38. Which one of the following statements is **ACCURATE** in regard to collusion and fraudulent activities?
- A. Collusion is not a fraud risk
 - B. Collusion is an effect of a fraud risk
 - C. Collusion is a fraud risk and a root cause of fraud
 - D. Collusion is corruption but not a fraud risk (1 mark)
39. Which one of the following parties should be interviewed last during a fraud risk assessment for the team to have a better picture of the organisation's fraud risks?
- A. Employees
 - B. Board
 - C. Internal auditors
 - D. Management (1 mark)
40. Which one of the following statements is **ACCURATE** in regard to personalising fraud risk communication?
- A. The communications should be in form of company web page notification
 - B. The communication should in form of a circular across the organisation
 - C. The communication should be included in the company's newsletter
 - D. The communication should be conducted through formal training (1 mark)
41. Which one of the following statements is **NOT** part of senior management's responsibility for fraud risk management?
- A. Monitoring the organisation's fraud risk management activities
 - B. Clearly communicate both in words and actions that fraud is not tolerated
 - C. Overseeing the organisation's fraud risk management activities
 - D. Report to the board of directors on a regular basis regarding the effectiveness of the organisation's fraud risk management programme (1 mark)
42. Which of the following is **NOT** an appropriate component of fraud risk management programme for ensuring its effectiveness in both operation and design?
- A. Setting an appropriate tone and realistic expectations of management to enforce an anti-fraud culture
 - B. Gaining a working knowledge of the organisation's activities and the environments in which it operates
 - C. Raising awareness of the risks of fraud throughout the organisation
 - D. Designing and implementing a strong internal control system (1 mark)
43. Which of the following is **NOT** one of the eight principles for risk management provided by ISO 31000:2018?
- A. The risk management programme facilitates continuous improvement
 - B. The risk management programme is transparent and inclusive
 - C. The risk management programme is based on the effectiveness of the internal controls
 - D. The risk management programme is dynamic and responsive to change (1 mark)
44. Which one of the following fraud risks is **NOT** associated with fraud tolerance index?
- A. Failure to define fraud risk appetite
 - B. Failure to identify fraud risks
 - C. Failure to treat fraud risks
 - D. Existence of an effective response plan (1 mark)

45. Which one of the following offences is associated with entitlement fraud risk?
 A. Low personal integrity
 B. Tone at the top
 C. Receiving bribes
 D. None of the above (1 mark)
46. Which one of the following fraud risks is **NOT** associated with environmental fraud risk index?
 A. Failure to define fraud risk appetite
 B. Organisational culture
 C. Business pressure
 D. Tone at the top (1 mark)
47. Which one of the following fraud risks is associated with prevent and detect fraud index?
 A. Sense of entitlement
 B. Lack of ownership
 C. Lack of internal controls
 D. Low perception of detection (1 mark)
48. Which one of the following is a component of the macro fraud risk assessment framework?
 A. Culture fraud risk index
 B. Environmental risk index
 C. Leadership profile index
 D. Tolerance risk index (1 mark)
49. Which one of the following controls is both a basic and preventive control?
 A. Job rotation
 B. Special audits
 C. Surprise audits
 D. Fraud awareness and training (1 mark)
50. Which one of the following control measures would **NOT** help in mitigating notification index?
 A. An effective reporting programme
 B. Open door policy
 C. Response plan policy
 D. Surprise audits (1 mark)

SECTION II (50 MARKS)

51. (a) Describe **EIGHT** components of a robust fraud risk management programme that help to create a proactive framework for managing fraud risks (16 marks)
- (b) Explain **TWO** main objectives of fraud risk management programme. (4 marks)
(Total: 20 marks)
52. Evaluate **FIVE** risks associated with fraudulent financial reporting in a public company. **(Total: 15 marks)**
53. Discuss **FIVE** benefits of conducting a fraud risk assessment. **(Total: 10 marks)**
54. Identify **FIVE** activities of monitoring residual and emerging risks. **(Total: 5 marks)**



CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 18 August 2025. Afternoon 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 statements **BEST** describes why fraud risk assessment is a proactive fraud control?
 - A. The fraud risk assessment helps to identify and assess fraud risks and put in place controls that are commensurate to the risks
 - B. The fraud risk assessment helps management to define their risk appetite
 - C. The fraud risk assessment helps management to develop strategy to reduce fraud risks
 - D. None of the above(1 mark)

2. Which one of the following statements is **ACCURATE** in regard to mitigation of fraud risks?
 - A. Strong control system can mitigate fraud risks
 - B. Strong control system can minimise incidences of fraud
 - C. Strong control system can maximise detection of fraudulent activities
 - D. Strong control system cannot mitigate fraud risks(1 mark)

3. Which one of the following statements is **ACCURATE** in regard to overall fraud risk assessment?
 - A. A macro fraud risk assessment focus on the overview of the fraud risk index
 - B. A macro fraud risk assessment focus on the individual fraud risks
 - C. A micro fraud risk assessment focus on the overview of the fraud risks
 - D. None of the above(1 mark)

4. Which one of the following is a risk related to corruption?
 - A. Improper asset valuation risk
 - B. Competitive intelligence risk
 - C. Information and technology risk
 - D. None of the above(1 mark)

5. Which one of the following is **NOT** a type of a fraud risk?
 - A. Opportunity
 - B. High perception of detection
 - C. Justification to commit fraud
 - D. Lack of ownership(1 mark)

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6. Which one of the following is both a red flag and a risk of fraud?
A. Low perception of detection
B. Opportunity
C. Rationalisation
D. None of the above (1 mark)
7. Which one of the following statements is **NOT** accurate in regard to an integrated internal control framework?
A. The controls can reduce fraud risks
B. The controls have a right balance of preventive and detective controls
C. The detective and preventive controls must be equal
D. The controls are of quality (1 mark)
8. Which one of the following statements **BEST** describes the response to a residual risk by adding more hard controls?
A. Reducing the risk
B. Mitigating the risk
C. Assuming the risk
D. None of the above (1 mark)
9. Which one of the following statements **BEST** describes how to respond to inherent fraud risk?
A. Balancing of preventive and detective controls
B. Avoiding the risk
C. Mitigating the risks
D. Maximising the risks (1 mark)
10. Which one of the following residual risks is generally high even after adequate mitigation but cannot responded to by avoiding it?
A. Low perception of detection
B. Opportunity
C. Lack of loyalty
D. Sense of entitlement (1 mark)
11. Which one of the following judgements should an assessment team make in evaluating a residual risk?
A. Subjective judgement
B. Objective judgement
C. Informed judgement
D. Rational judgment (1 mark)
12. Which one of the following statements **BEST** describes high residual fraud risk?
A. A situation or an area where the residual risk remains high even after mitigation
B. A situation or an area where the inherent risk remains high even after mitigation
C. A situation or an area where both the residual and inherent risks remains high
D. A situation or an area where the inherent risk is significantly smaller than the residual risk (1 mark)
13. Which one of the following statements is **NOT** accurate in regard to positive reinforcement measures?
A. They increase the perception of detection
B. They can help to modify behaviour

- C. They help in enforcing basic controls
D. They help in strengthening controls (1 mark)
14. Which one of the following statements **BEST** describes the term “assuming a risk”?
A. It involves assuming the risk does not exist
B. It involves accepting the risk
C. It involves ignoring the risk
D. It involves mitigating the risk (1 mark)
15. Which one of the following statements is **NOT** a method of responding to fraud risks associated with employees and management?
A. Transferring the risk
B. Put preventive and detective controls
C. Avoiding the risk
D. Assuming the risk (1 mark)
16. The following are types of fraud risk, **EXCEPT** _____.
A. loss of funds
B. a fraudulent organisational culture
C. unethical leadership
D. lack of loyalty (1 mark)
17. Which one of the following is an example of an inherent risks?
A. High perception of detection
B. Lack of ownership
C. High sense of ownership
D. High sense of loyalty (1 mark)
18. Which one of the following is an activity of fraud risk management programme?
A. Identification of fraud
B. Responding to detected frauds
C. Auditing for compliance
D. None of the above (1 mark)
19. Which one of the following is **NOT** accurate in regard to employees and the fraud risk management programme?
A. Understand how non-compliance might create an opportunity for fraud to occur
B. Design and implement fraud control activities
C. Co-operate in investigations into suspected or alleged fraud incidents
D. None of the above (1 mark)
20. Which one of the following is **NOT** an element of formal statement of commitment to fraud risk management by the board and senior management?
A. Should be provided to all employees, vendors and customers
B. Acknowledges the organisation’s vulnerability to fraud
C. Is in writing
D. Should acknowledge nonexistence of fraud in the organisation (1 mark)

21. Which one of the following is **NOT** an inherent fraud risk?
- A. Information and technology risks
 - B. Reputation risks
 - C. High perception of detection
 - D. Situational pressure
- (1 mark)
22. Which one of the following statements is **NOT** accurate in regard to ensuring that the fraud risk assessment is effective?
- A. The assessment should incorporate risk owners and employees
 - B. The assessment should be conducted by the organisation with the assistance of a consultant
 - C. The assessment should be conducted by the risk department because they have the essential expertise
 - D. None of the above
- (1 mark)
23. Which one of the following is **NOT** a type of a control activity?
- A. Independent reconciliations
 - B. Physical inspections and counts
 - C. Training and awareness
 - D. Continuous audit techniques
- (1 mark)
24. Which one of the following methods of communication is **MOST** effective in enhancing employees interest in fraud risk assessment process?
- A. A message from the chair of the audit and risk committee to command authority and support for the process
 - B. A personalised communication to enable all members of staff to embrace the process
 - C. A generalised communication to reduce anxiety among employees in regard to the process
 - D. A general message from the chief executive officer
- (1 mark)
25. Which one of the following activities on vendor due diligence procedures is **LEAST** effective?
- A. An organisation should ask new vendors to complete a questionnaire about their background immediately after signing a contract with them
 - B. An organisation should include a clause in the contract requiring the vendor to report any instances of misconduct before entering into an agreement with them
 - C. An organisation should ensure that vendors have their own ethics and compliance programme before engaging in any transactions with them
 - D. An organisation should alert the vendor that they will be liable for any unethical conduct that occurs during the business arrangement before agreeing to do business with them
- (1 mark)
26. Which one of the following is among the audit committee's responsibilities for fraud risk management?
- A. Monitoring and proactively improving the fraud risk management programme
 - B. Performing and regularly updating the fraud risk assessment
 - C. Conducting investigations on reported fraud cases
 - D. None of the above
- (1 mark)

27. Which one of the following is among the board of directors' responsibilities for fraud risk management?
- A. Setting too ambitious expectations of management to enforce an anti-fraud culture
 - B. Monitoring the organisation's fraud risk management activities
 - C. Raising awareness of the risks of fraud throughout the organisation
 - D. Designing and implementing organisation's fraud risk management activities
- (1 mark)
28. Which one of the following is **NOT** an activity of fraud risk management?
- A. Mitigation of fraud risks
 - B. Monitoring of fraud risks
 - C. Prioritisation of fraud risks
 - D. Detection of fraud risks
- (1 mark)
29. Which one of the following is one of the eight principles for risk management provided by International Organisation for Standardisation (ISO) 31000:2018?
- A. The risk management programme is integrated into high-risk organisational activities
 - B. The risk management programme is structured and comprehensive
 - C. The risk management programme facilitates periodic improvement
 - D. The risk management programme facilitates for continuous improvement
- (1 mark)
30. Which one of the following is one of the five fraud risk management principles described in the Fraud Risk Management Guide?
- A. Monitoring
 - B. Control activities
 - C. Fraud risk assessment
 - D. Control environment
- (1 mark)
31. Which one of the following parties is responsible for the oversight of the organisation's fraud risk management programme?
- A. The internal auditors
 - B. The chief financial officer
 - C. The audit committee
 - D. The external auditors
- (1 mark)
32. Which one of the following statements is **NOT** accurate in regard to defining the objective of the fraud risk management programme?
- A. Management should examine previous fraud occurrences to determine how the ideal fraud risk management programme would have prevented them
 - B. Management must balance the investment in anti-fraud controls with the benefit of those controls and the amount of risk it is willing to accept
 - C. Management should incorporate the needs and goals of the organisation into the fraud risk management programme's objectives
 - D. Management must consider cost and benefit of anti- fraud controls
- (1 mark)
33. Which one of the following parties is responsible for developing a strategy to assess and manage fraud risks that aligns with the organisation's risk appetite and strategic plans?
- A. The board of directors
 - B. The shareholders

- C. The audit committee
D. The legal department (1 mark)
34. Which one of the following statements is **NOT** accurate in regard to an organisation's fraud risk management programme?
A. There should be measures in place to address failures in the design or operation of anti-fraud controls, as well as fraud occurrences
B. A specific team or individual should be assigned responsibility for monitoring compliance and managing suspected instances of noncompliance
C. Formal sanctions for intentional noncompliance must be well publicised and carried out in a consistent and firm manner
D. Management should be responsible for providing oversight over the design and implementation of programme (1 mark)
35. Which one of the following statements is **NOT** accurate in regard to the five fraud risk management principles described in the Fraud Risk Management Guide?
A. Under the fraud risk management monitoring activities principle, an organisation should develop ongoing evaluations for each fraud risk management principle
B. Under the fraud risk management monitoring activities principle, an organisation should develop ongoing evaluations for each fraud risk management principle
C. Under the fraud risk governance principle, an organisation should communicate the expectations of those overseeing the fraud risk management programme
D. Under the fraud risk management monitoring activities principle, an organisation should develop occasional evaluations for each fraud risk management principle (1 mark)
36. Which one of the following types of customer due diligence (CDD) procedures should an organisation conduct to determine whether to transact business with a high-risk customer?
A. Enhanced CDD
B. Advanced CDD
C. Objective CDD
D. Simplified CDD (1 mark)
37. Which one of the following **BEST** describes the culture, capabilities and practices, integrated with strategy-setting and its performance, that organisations rely on to manage risk in creating, preserving and realising value according to the Committee of Sponsoring Organisations of the Treadway Commission?
A. Fraud prevention
B. Fraud risk management
C. Corporate governance
D. Enterprise risk management (1 mark)
38. Which one of the following is **NOT** a component of fraud risk management programme?
A. Disclosure of conflicts of interest
B. Whistle blower protection policies
C. Programme regular evaluation
D. Programme continuous evaluation (1 mark)

39. Which one of the following statements is **NOT** accurate in regard to how fraud risk assessment would help an organisation in managing fraud risks?
- A. To promote awareness and education of the fraud risks, across the organisation
 - B. Hold action holders accountable for mitigation
 - C. To promote awareness and education of fraud that pertains to the organisation
 - D. To avoid fraud risks
- (1 mark)
40. Which one of the following methods is **MOST** effective in gathering information about fraud risk pertaining to a department?
- A. Interviews
 - B. Survey
 - C. Focus group
 - D. Questionnaires
- (1 mark)
41. Which one of the following statements is **NOT** accurate in regard to capacity to conduct a fraud risk assessment?
- A. All team members should have good knowledge of fraud risks and skills in risk assessment
 - B. Team members should have good skills for gathering and eliciting information
 - C. Team members should be objective
 - D. Team members should have diverse knowledge and skills
- (1 mark)
42. Which one of the following is **NOT** accurate in regard to mitigation of fraud risks?
- A. Risks that are present before mitigation are described as inherent risks
 - B. The objective of anti-fraud controls is to mitigate the inherent risks
 - C. The objective of anti-fraud controls is to mitigate residual risks that are aligned with the organisation's risk appetite
 - D. The objective of anti-fraud controls is to mitigate residual risks that are not within the organisation's risk appetite
- (1 mark)
43. Which one of the following statements describes the **MOST** effective treatment of high fraud risk?
- A. Implementation of quality anti- fraud controls
 - B. Implementation of strong anti- fraud controls
 - C. Implementation of adequate fraud preventive controls
 - D. Implementation of strong hard basic controls
- (1 mark)
44. Which one of the following statements is **NOT** accurate in regard to fraud controls?
- A. Any set of adequate anti-fraud controls will be of quality
 - B. A set of anti-fraud controls may not necessarily be of quality
 - C. A set of anti-fraud controls of good quantity will not necessarily be of quality
 - D. Quality fraud controls will not eliminate fraud risks
- (1 mark)
45. Which one of the following statements **BEST** describes how an organisation should treat risk of override of controls?
- A. Transferring the risk
 - B. Put preventive and detective controls
 - C. Avoid the risk

- D. A combination of mitigation and auditing for fraud (1 mark)
46. Which one of the following is **NOT** a factor that influences the level of fraud risk faced by an organisation?
A. Unethical organisational culture
B. High perception of detection
C. Geographical factors
D. Sense of ownership (1 mark)
47. Which one of the following statements is **NOT** a factor related to fraud risk governance?
A. Organisational commitment to fraud risk governance
B. Fraud risk governance support by the board of directors
C. Establishing a comprehensive fraud risk policy
D. Management override of controls as a risk only if there is inadequate oversight over management (1 mark)
48. Which one of the following statements **BEST** describes the fraud risk index assessment?
A. A macro fraud risk assessment focus on the overview of the fraud risk index
B. A macro fraud risk assessment focus on the individual fraud risk index
C. A micro fraud risk assessment focus on specific categories of fraud risks of the fraud risk index
D. A micro fraud risk assessment focus on high fraud risk areas only (1 mark)
49. Which one of the following statements is **ACCURATE** in regard to identification of fraud risks?
A. An organisation should only identify risks associated with past occurrence
B. An organisation should only identify risks that that not been properly mitigated
C. An organisation should only identify residual risks
D. An organisation should identify all situations, events and processes that would make an organisation vulnerable to fraud as fraud risks (1 mark)
50. Which one of the following statements is **ACCURATE** in regard to low residual risk?
A. The organisation can mitigate the risk further to a zero level
B. The organisation can ignore the risk because is low and aligned with the organisation's risk appetite
C. The organisation should continuously monitor low residual risk
D. The organisation should not continuously monitor low residual risk (1 mark)

SECTION II (50 MARKS)

51. (a) Explain the term "fraud risk tolerance" in relation to fraud risk management. (2 marks)
- (b) Describe **THREE** situations in an organisation that would demonstrate high tolerance for fraudulent and corrupt activities. (9 marks)
- (c) Analyse **THREE** major initiatives that could help in building a culture of ethics and integrity in an organisation. (9 marks)

(Total: 20 marks)

52. (a) Explain **THREE** parties responsible for fraud risk management in an organisation. (9 marks)
- (b) Discuss **THREE** interrelated components of the COSO Integrated internal control framework and their related fraud principles of fraud risk management. (6 marks)
(Total:15 marks)
53. Describe **FIVE** components of assessing an overview of fraud risk exposure in an organisation. **(Total: 10 marks)**
54. Identify **FIVE** fraud risks that an organisation might overlook. **(Total: 5 marks)**

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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

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 (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 **BEST** describes why fraud risk assessment is a preventive control?
- A. The fraud risk assessment helps to identify and assess fraud risks, and put in place controls that are commensurate to the risks
 - B. The fraud risk assessment helps management to define their risk appetite
 - C. The fraud risk assessment helps management to develop strategy to reduce fraud risks
 - D. None of the above
- (1 mark)

ANSWER: A

2. Which one of the following statements **ACCURATELY** describes strong control system?
- A. Strong control system can mitigate fraud risks
 - B. Strong control system can minimise incidences of fraud
 - C. Strong control system can maximise detection of fraudulent activities
 - D. None of the above
- (1 mark)

ANSWER: D

3. Which one of the following statements **BEST** describes the difference between a “micro” and “macro” fraud risk assessment framework?
- A. A macro fraud risk assessment focus on the overview of the fraud risk index while the micro fraud risk assessment, identify and assess individual risks
 - B. A macro fraud risk assessment focus on the individual fraud risk index, while the micro fraud risk assessment focus on the overview of the fraud index
 - C. A micro fraud risk assessment focus on the overview of the fraud risk index, while the macro fraud risk assessment, identify and assess individual risks
 - D. None of the above
- (1 mark)

ANSWER: A

4. Which one of the following statements is a risk related to financial statement fraud?
- A. Improper asset valuation risk
 - B. Competitive intelligence risk
 - C. Information and technology risk
 - D. None of the above
- (1 mark)

ANSWER: A

5. A process aimed at proactively identifying an organisation's vulnerability to both internal and external fraud is referred to as _____.
- A. Fraud risk examination
 - B. Fraud risk identification
 - C. Fraud risk detection
 - D. Fraud risk assessment
- (1 mark)

ANSWER: B

6. Which one of the following statements is **NOT** a factor associated with high fraud risk?
- A. Past occurrences of fraud
 - B. The preventive and detective controls put in place to mitigate the risks
 - C. Red flags have been identified in the area
 - D. None of the above
- (1 mark)

ANSWER: D

7. Which one of the following statements is **NOT** accurate in regard to an effective internal control system?
- A. It can be effective in mitigation of fraud risks
 - B. It sends a message across the organisation that fraud will not be tolerated
 - C. It balances the fraud related controls and basic controls
 - D. None of the above
- (1 mark)

ANSWER: C

8. Which one of the following statements **BEST** describes the response where management accept a risk?
- A. Reducing the risk
 - B. Transferring the risk
 - C. Assuming the risk
 - D. None of the above
- (1 mark)

ANSWER: C

9. Which one of the following statements **BEST** describes implementation of preventive and detective controls to respond to an identified fraud risk?
- A. Balancing of preventive and detective controls
 - B. Avoiding the risk
 - C. Mitigating the risks
 - D. Maximising the risks
- (1 mark)

ANSWER: C

10. Which one of the following statements is **NOT** a risk factor that influences fraudulent activities?
- A. The effectiveness of its internal controls
 - B. The nature of the business
 - C. The culture of the organisation
 - D. None of the above
- (1 mark)

ANSWER: D

11. Which one of the following fraud risk categories is associated with asset misappropriation?
- A. Occupational fraud
 - B. Information technology
 - C. Internal fraud
 - D. None of the above
- (1 mark)

ANSWER: A

12. Which one of the following opinions should an assessment team form during a fraud risk assessment engagement?
- A. Professional subjective opinion
 - B. Unqualified opinion
 - C. Qualified opinion
 - D. None of the above
- (1 mark)

ANSWER: D

13. Which one of the following statements **BEST** describes how to respond to high risk of fraud?
- A. Organisation's should respond to high risks of fraud through mitigation, fraud audit and transferring the risk
 - B. Organisation's should respond to high risks of fraud through mitigation
 - C. Organisation's should respond to high risks of fraud through transferring the risk
 - D. All the above
- (1 mark)

ANSWER: A

14. Which one of the following statements is **NOT** accurate regarding effective fraud controls?
- A. They increase the perception of detection
 - B. They eliminate fraud risks
 - C. They balance preventive and detective controls
 - D. None of the above
- (1 mark)

ANSWER: B

15. Which one of the following strategies **BEST** describes management decision to accept a risk rather than mitigate the risk?
- A. Reducing the risk
 - B. Assuming the risk
 - C. Avoiding the risk
 - D. None of the above
- (1 mark)

ANSWER: B

16. Which one of the following statements **BEST** describes how management should respond to fraud risks that remain high even after mitigation and are not absolutely necessary to take?
- A. Transferring the risk
 - B. Put preventive and detective controls
 - C. Avoid the risk
 - D. None of the above
- (1 mark)

ANSWER: C

17. Which one of the following statements is **NOT** a fraud risk factor?
- A. Absence of internal controls
 - B. The culture of the organisation
 - C. The ethics of its leadership team
 - D. None the above
- (1 mark)

ANSWER: A

18. Detecting antifraud controls include all of the following, **EXCEPT** _____.
- A. reducing pressure
 - B. proactive data analysis techniques
 - C. fraud reporting hotline
 - D. continuous detection controls
- (1 mark)

ANSWER: B

19. Fraud risks that remain after management has put in place fraud-related controls are referred to as _____.
- A. inherent risk
 - B. fraud risks
 - C. risk appetite
 - D. none of the above
- (1 mark)

ANSWER: D

20. Which one of the following statements is **NOT** a potential fraud risks?
- A. Information and technology risks
 - B. Reputation risks
 - C. High perception of detection
 - D. None of the above
- (1 mark)

ANSWER: D

21. Which one of the following statements is **NOT** accurate regarding maintaining objectivity in a fraud risk assessment?
- A. The assessment should incorporate risk owners and employees
 - B. The assessment should be conducted by the organization with the assistance of a consultant
 - C. The assessment should be conducted by the internal audit and risk functions only because they have the expertise
 - D. None of the above
- (1 mark)

ANSWER: C

22. Which one of the following controls **BEST** describes those controls that stop fraud from occurring and detecting fraud when it has occurred respectively?
- A. Detective investigative controls
 - B. Strong and effective controls
 - C. Investigative, deterrent controls
 - D. None of the above
- (1 mark)

ANSWER: D

23. Which one of the following parties would be the **MOST** appropriate sponsor for a fraud risk assessment?
- A. Management
 - B. The Board
 - C. The risk manager/director
 - D. None of the above
- (1 mark)

ANSWER: B

24. The following are types of fraud detective control, **EXCEPT** _____.
- A. independent reconciliations
 - B. physical inspections and counts
 - C. fraud policies and procedures
 - D. continuous audit techniques
- (1 mark)

ANSWER: C

25. Which one of the following statements is **NOT** accurate regarding the communication of the fraud risk assessment process?
- A. The communication should be in the form of a message from the risk assessment chair of the audit and risk committee, to command authority and support of the process
 - B. The communication should be personalised to enable all members of staff to embrace the process to make it more effective
 - C. The communication should be generalised, to enable all employees embrace the process
 - D. None of the above
- (1 mark)

ANSWER: C

26. Which one of the following statements is **NOT** accurate regarding how management should use the fraud risk assessment results?
- A. To promote awareness and education of the fraud risks across the organisation
 - B. Hold action holders accountable for response
 - C. To promote awareness and education of fraud that pertains to the organisation
 - D. None of the above
- (1 mark)

ANSWER: D

27. Which one of the following fraud risk assessment techniques allows the assessor to observe employee interactions as they collaboratively discuss a posed question?
- A. Interviews
 - B. Survey
 - C. Focus group
 - D. None of the above
- (1 mark)

ANSWER: C

28. Which one of the following statements is **NOT** accurate about the fraud risk assessment team?
- A. All team members should have good knowledge of fraud risks and skills in risk assessment
 - B. Team members should have good skills for gathering and eliciting information
 - C. Team members should be objective
 - D. None of the above
- (1 mark)

ANSWER: A

29. Which one of the following statements is **NOT** accurate regarding anti-fraud controls and fraud risks?
- A. Risks that are present before mitigation are described as inherent risks
 - B. The objective of anti-fraud controls is to mitigate the inherent risks
 - C. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 - D. The objective of anti-fraud controls is to make the inherent fraud risk significantly smaller than the residual fraud risk
- (1 mark)

ANSWER: D

30. Which one of the following statements is **NOT** an appropriate member of fraud risk assessment team?
- A. The risk officers
 - B. The risk owners
 - C. Internal auditors
 - D. None of the above
- (1 mark)

ANSWER: D

31. Which one of the following statements **BEST** describes the category of risk associated with computer hacking?
- A. Occupational fraud risk
 - B. Information technology risk
 - C. External fraud risk
 - D. Internal fraud risk
- (1 mark)

ANSWER: C

32. Which one of the following statements **BEST** describes the fraud risk evaluation assessment opinion formed during the assessment?
- A. Subjective opinion
 - B. Unqualified opinion
 - C. Qualified opinion
 - D. Objective opinion
- (1 mark)

ANSWER: A

33. Which one of the following statements **BEST** describes practice of responding to high risk of fraud?
- A. Organisation's should respond to high risks of fraud through mitigation, fraud audit and transferring the risk
 - B. Organisation's should respond to high risks of fraud through mitigation
 - C. Organisation's should respond to high risks of fraud through transferring the risk
 - D. None the above
- (1 mark)

ANSWER: A

34. Which one of the following statements is **NOT** accurate in regard to effective fraud controls?
- A. They increase the perception of detection
 - B. They eliminate fraud risks
 - C. They balance preventive and detective controls
 - D. None of the above
- (1 mark)

ANSWER: B

35. Which one of the following statements **BEST** describes how management should respond to a risk that remains high even when mitigated and the risk is not necessary to take?
- A. Transferring the risk
 - B. Put preventive and detective controls
 - C. Avoid the risk
 - D. A combination of mitigation and auditing for fraud
- (1 mark)

ANSWER: C

36. The following factors that influence the level of fraud risk faced by an organisation, **EXCEPT** _____.
- A. Absence of internal controls
 - B. The culture of the organisation
 - C. The integrity of its leadership team
 - D. None of the above
- (1 mark)

ANSWER: A

37. Which one of the following **BEST** describes the identified risks?
- A. External risks
 - B. Inherent risks
 - C. Internal risks
 - D. None of the above
- (1 mark)

ANSWER: B

38. Which one of the following **BEST** describes fraud risks that remain after management has put in place fraud-related controls?
- A. Inherent risk
 - B. Internal risks
 - C. Residual risk
 - D. High fraud risk
- (1 mark)

ANSWER: C

39. Which one of the following categories do fraudulent customer payments, corporate espionage, and hacking schemes fall under?
- A. External fraud risk
 - B. Internal fraud
 - C. Information technology risk
 - D. None of the above
- (1 mark)

ANSWER: A

40. Which one of the following is **NOT** considered a fraud risk?
- A. Management's leadership style
 - B. Management's behaviour
 - C. Unhappy employees
 - D. None of the above
- (1 mark)

ANSWER: D

41. Which one of the following methods should be used to conduct the fraud risk assessment process?
- A. Surveillance
 - B. Overt
 - C. Open
 - D. None of the above
- (1 mark)

ANSWER: B

42. Which one of the following statements is **NOT** a preventive anti-fraud control?
- A. Investigative audits
 - B. Fraud awareness training
 - C. Segregation of duties
 - D. Hiring policies and procedures
- (1 mark)

ANSWER: A

43. Which one of the following categories of occupational fraud does the payment of bribes to procure business fall under?
- A. Kickbacks
 - B. Economic extortion
 - C. Corruption
 - D. None of the above
- (1 mark)

ANSWER: C

44. Which one of the following statements is **NOT** a factor or consideration related to fraud risk governance?
- A. Organisational commitment to fraud risk governance
 - B. Fraud risk governance support by the board of directors
 - C. Establishing a comprehensive fraud risk policy
 - D. None of the above
- (1 mark)

ANSWER: D

45. Which one of the following statements is **NOT** a factor or consideration related to fraud risk assessment?
- A. Involving appropriate levels of management in the fraud risk assessment
 - B. Analysing internal and external factors
 - C. Identify management override of controls as a risk only if there is inadequate oversight over management
 - D. Considering various types of fraud
- (1 mark)

ANSWER: C

46. Which of the following statements is **NOT** a factor or consideration related to fraud control principle?
- A. Promoting fraud deterrence through preventive and detective controls
 - B. Integrating the preventive and detective controls with the fraud risk assessment
 - C. Considering organisational specific factors relevant business processes
 - D. Analysing internal and external factors
- (1 mark)

ANSWER: C

47. Which one of the following statements is **NOT** a factor or consideration related to fraud investigation and corrective action?
- A. Establishing fraud investigation and response plan and protocols
 - B. Conducting investigations
 - C. Communicating investigation results
 - D. Utilising a combination of fraud control activities

(1 mark)

ANSWER: D

48. Which one of the following statements **BEST** describes why fraud risk assessment is a preventive control?
- A. The fraud risk assessment helps to identify and assess fraud risks and put in place controls that are commensurate to the risks
 - B. The fraud risk assessment helps management to define their risk appetite
 - C. The fraud risk assessment helps management to develop strategy to reduce fraud risks
 - D. The fraud risk helps to increase the perception of detection

(1 mark)

ANSWER: A

49. The process aimed at proactively identifying an organisation’s vulnerabilities to both internal and external fraud is referred to as _____.
- A. fraud risk examination
 - B. fraud risk assessment
 - C. fraud risk identification
 - D. fraud risk response

(1 mark)

ANSWER: B

50. Which one of the following statements is a risk related to the three categories of occupational fraud?
- A. Fraudulent disbursement risk
 - B. Competitive intelligence risk
 - C. Information and technology risk
 - D. None of the above

(1 mark)

ANSWER: A

SECTION II (50 MARKS)

51. (a) Explain the term “fraud risk appetite” in the context of fraud risk management. (2 marks)
- (b) Distinguish between “fraud risk management” and “fraud risk assessment”. (4 marks)
- (c) Analyse **THREE** initiatives that an organisation can put in place to demonstrate zero tolerance for fraudulent activities. (6 marks)
- (d) Examine **FOUR** objectives of a fraud risk management programme. (8 marks)
- (Total: 20 marks)**
52. (a) Outline **FIVE** criteria of assessing a fraud risk. (5 marks)
- (b) Describe **FIVE** broad principles of fraud risk management. (10 marks)
- (Total: 15 marks)**
53. Discuss **FIVE** types of detective anti-fraud controls. **(Total: 10 marks)**
54. Highlight **FIVE** responsibilities of a board of directors in a fraud risk management. **(Total: 5 marks)**
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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 2 December 2024. Afternoon 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 statements is **NOT** accurate in regard to the elements of scoring fraud risk governance?
 - A. Establishing roles and responsibilities for fraud risk management
 - B. Fraud risk governance support by the board of directors
 - C. Establishing a comprehensive fraud risk policy
 - D. Identifying existing controls and their effectiveness (1 mark)

2. Which one of the following statements is **NOT** accurate in regard to the elements of scoring the implementation of a fraud risk assessment process?
 - A. Including all the operation units and subsidiaries
 - B. Analysing internal and external factors
 - C. Establishing roles and responsibilities
 - D. Considering various types of fraud (1 mark)

3. Which one of the following statements is **ACCURATE** in regard to reporting of the fraud risk assessment process?
 - A. The report should contain a detailed comprehensive list of the assessment findings
 - B. The report should contain a detailed comprehensive list of the information gathered
 - C. The risk assessment should include all potential fraud risks
 - D. The report should include only those risks that have been exploited (1 mark)

4. Which one of the following statements is **NOT** an element of scoring the implementation of the fraud control principle?
 - A. Promoting fraud deterrence through preventive and detective controls
 - B. Integrating the preventive and detective controls with the fraud risk assessment
 - C. Considering organisational specific factors relevant business processes
 - D. Establishing a comprehensive fraud risk policy (1 mark)

5. Which one of the following is **NOT** an element of scoring fraud investigation and corrective action scorecard?
 - A. Establishing fraud investigation and response plan and protocols
 - B. Conducting investigations
 - C. Communicating investigation results
 - D. Putting preventive and detective controls in place (1 mark)

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6. Which one of the following statements is **NOT** accurate in regard to a fraud risk assessment process?
- A. Fraud risk assessment is a preventive measure
 - B. Fraud risk assessment is a control process but not a preventive measure
 - C. Conducting an effective fraud risk assessment requires thinking like a fraudster
 - D. Fraud risk assessment is a detective measure
- (1 mark)
7. Which one of the following statements is **MOST** accurate in regard to fraud risk assessment and audit plan?
- A. The auditor should not incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should ignore the results of a fraud risk assessment and conduct an independent fraud risk assessment
 - C. The auditor should conduct a comprehensive fraud risk assessment before conducting an audit
 - D. The auditor should prioritise areas evaluated as high risk
- (1 mark)
8. Which one of the following statements is **ACCURATE** in regard to eliminating fraud risks?
- A. Preventive and detective controls can eliminate fraud risks to the tolerance level
 - B. Preventive and detective controls can reduce fraud risks to the tolerance level
 - C. Preventive and detective controls can eliminate fraudulent activities
 - D. None of the above
- (1 mark)
9. Which one of the following statements is **ACCURATE** in regard to macro fraud risk assessment frameworks?
- A. Fraud risk assessment framework is designed to fit any organisation
 - B. The macro fraud risk assessment assesses the overall fraud index
 - C. Fraud risk assessment framework has three major components
 - D. The macro fraud risk assessment is not an effective process of evaluating fraud risks
- (1 marks)
10. Which of the following is a fraud risk associated with an attitude that the perpetrator has good reason to commit fraud?
- A. Opportunity
 - B. Pressure
 - C. Rationalisation
 - D. Low personal integrity
- (1 mark)
11. Which one of the following statements is **NOT** accurate in regard to evaluation of fraud risks?
- A. The assessment team should make a subjective judgment
 - B. The assessment team should make an objective judgment
 - C. The assessment team should evaluate the residual risk
 - D. The risk evaluation is subject to, likelihood, impact and the effectiveness of the fraud related controls
- (1 mark)
12. Which one of the following statements is **ACCURATE** in regard to high residual risk?
- A. An area or process is evaluated as high risk only if there have been previous incidences
 - B. An area or process is evaluated as high risk if the inherent risk is high
 - C. An area or process is evaluated as high risk if there no preventive and detective controls to mitigate the risk
 - D. An area or process is evaluated as high risk if the likelihood of the risk being exploited is very high
- (1 mark)

13. Which one of the following controls **BEST** describes a good balance of preventive and detective controls?
A. Quality controls
B. Effective controls
C. Strong controls
D. Well balanced controls (1 mark)
14. Which of the following **BEST** describes the risk response that involves management accepting a residual risk?
A. Mitigating the risk
B. Avoiding the risk
C. Assuming the risk
D. Accepting the risk (1 mark)
15. Which one of the following risks **BEST** describes fraud risks that remain after mitigation?
A. Inherent risks
B. Control risks
C. Residual risks
D. Internal risks (1 mark)
16. Which of the following is **NOT** a response for high residual risk?
A. Conducting a fraud audit
B. Mitigating fraud risk
C. Transferring the risk
D. Conducting a special audit (1 mark)
17. Which of the following is an effect of a fraud risk?
A. Management override of controls
B. Collusion
C. Low perception of detection
D. Fraudulent financial reporting (1 mark)
18. Which of the following parties are likely to give a better picture of the organisation's fraud risks?
A. Employees
B. Management
C. Internal auditors
D. Board (1 mark)
19. Which one of the following statements is **NOT** accurate in regard to the communication of the fraud risk assessment?
A. The communication should be in the form of a message from the risk assessment sponsor who must be a senior person who can command authority
B. The communication should be personalised to enable all members of staff to embrace the process to make it more effective
C. The communication should be openly communicated throughout the business
D. The communication should be generalised to enable all employees embrace the process (1 mark)

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20. Which of the following is the **BEST** method of gathering information when conducting a fraud risk assessment?
- A. Interviews
 - B. Survey
 - C. Hotline
 - D. Focus group
- (1 mark)
21. Which one of the following statements is **NOT** accurate in regard to inherent and residual fraud risks?
- A. Risks that are present before reducing the risks are described as inherent risks
 - B. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 - C. The objective of anti-fraud controls is to reduce the inherent fraud risks
 - D. If the inherent risks are properly mitigated there would be no residual risks
- (1 mark)
22. Which of the following is **NOT** a fraud risk?
- A. Collusion
 - B. Embezzlement
 - C. Loss of funds
 - D. Management override of controls
- (1 mark)
23. Which one of the following **BEST** describes a process aimed at proactively identifying an organisation's vulnerabilities to both internal and external fraud?
- A. Fraud risk management
 - B. Fraud risk identification
 - C. Fraud risk detection
 - D. Fraud risk assessment
- (1 mark)
24. Which of the following **BEST** describes weighing an organisation's strategic, operational, reporting and compliance objectives against the organisation's risk tolerance?
- A. Risk management
 - B. Risk evaluation
 - C. Risk treatment
 - D. None of the above
- (1 mark)
25. Which of the following **BEST** describes a process that is designed to identify potential events that may affect the entity and manage risk to be within its risk appetite?
- A. Fraud risk assessment
 - B. Fraud risk detection
 - C. Fraud risk management
 - D. Fraud risk prevention
- (1 mark)
26. Which of the following is **NOT** an objective of a fraud risk management program?
- A. Compliance with internal controls
 - B. Fraud detection
 - C. Fraud prevention
 - D. Response to fraud
- (1 mark)

27. Which one of the following statements is **NOT** accurate in regard to the responsibility for the board in relation to the fraud risk management?
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Evaluating the effectiveness of the internal control
 - D. Demonstrating commitment to the fraud risk management program
- (1 mark)
28. Which one of the following statements is **NOT** accurate in regard to employee's responsibility for fraud risk management?
- A. Employees must be aware of how non-compliance might create a risk of fraud
 - B. Employees must cooperate with investigators during investigations of suspected or alleged fraud incidents, in compliance with anti-fraud policy
 - C. Employees are only expected to report incidences of fraud
 - D. Employees are expected to assist the design and implementation of preventive and detective controls
- (1 mark)
29. Which one of the following parties is responsible for the overall fraud risk management program?
- A. The internal audit department
 - B. The management
 - C. The risk department
 - D. The Board
- (1 mark)
30. Which of the following is a responsibility for the audit committee in regard to fraud risk management?
- A. Receiving regular reports on the status of reported or alleged fraud
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk management program
 - D. Implementing corrective measures with assistance of the audit department
- (1 mark)
31. Which of the following is **NOT** a strategy for fraud risk management?
- A. Monitoring
 - B. Identification
 - C. Treatment
 - D. Compliance
- (1 mark)
32. According to the joint IIA, AICPA and ACFE publication: "Managing the Business Risk of Fraud: A Practical Guide", which of the following parties has the final responsibility managing fraud risk?
- A. Internal audit
 - B. The board of directors
 - C. Employees at all levels
 - D. Management
- (1 mark)
33. Which one of the following components is **NOT** associated with COSO's enterprise risk management—integrated framework?
- A. Control activity
 - B. Internal environment
 - C. Objective settings
 - D. Fraud risk assessment
- (1 mark)

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34. Which of the following programme does the audit committee have an oversight responsibility?
A. Procurement function
B. Operations function
C. Risk management
D. Fraud risk assessment (1 mark)
35. Which one of the following statements is **NOT** an element of fraud risk management programme?
A. A response plan for incidences of fraud
B. Sanctions for fraud perpetrators
C. Training and awareness
D. Strong basic controls (1 mark)
36. Which one of the following statements is **NOT** accurate in regard to an organisation's fraud risk management programme?
A. It should have measures and procedures to address failures in the design or operation of anti-fraud controls
B. Intentional non-compliance must be well-publicised and carried out in a consistent and firm manner
C. There should be a team, committee or an individual held responsible for monitoring compliance and responding to suspected incidences of non-compliance
D. Intentional non-compliance should not be publicised under any circumstances (1 mark)
37. Which of the following is **NOT** a positive reinforcement detective measure that can be used to reduce fraud risk?
A. Anti-fraud policy
B. Reporting programs
C. Surprise audits
D. Analytical data review (1 mark)
38. Which of the following **BEST** describe a root cause of fraud?
A. Motivation to commit fraud
B. Absence of internal controls
C. Weak controls
D. None of the above (1 mark)
39. Which one of the following statements is **NOT** accurate in regard to management's commitment to fraud risk management?
A. The statement should be provided to all employees
B. The statement should be provided to vendors, customers and consultants
C. The statement should acknowledge the organisation's vulnerability to fraud
D. The statement should not acknowledge that the originations is prone to fraud (1 mark)
40. Which one of the following statements is **NOT** accurate in regard to the conclusion of the fraud risk assessment process?
A. The assessment team is not expected to express a personal opinion based on the results of the exercise
B. The assessment team is not expected to make an objective judgement in regard to the residual risk
C. The assessment team is expected to express a personal opinion based on the results the exercise
D. The assessment team is expected to make a subjective judgement in regard to the residual risk (1 mark)

41. According to the COSO, which one of the following is **NOT** a principle related to risk assessment process?
- A. Identification of potential fraud
 - B. Assessing emerging risks
 - C. Investigating fraud risks
 - D. Identifying fraud risks
- (1 mark)
42. Which one of the following statements is **ACCURATE** in regard to the preventive control provided by fraud risk assessment?
- A. The fraud risk assessment helps to identify and assess fraud risks, and put in place commensurate controls in place
 - B. The fraud risk assessment helps management to define their risk appetite
 - C. The fraud risk assessment helps management to develop strategy to reduce fraud risks
 - D. The fraud risk assessment helps to look for fraud in high-risk areas
- (1 mark)
43. Which one of the following statements is **NOT** accurate in regard to an organisation that does not have a fraud risk management program in place?
- A. It creates a conducive environment for fraudulent activities
 - B. It encourages fraudulent activities
 - C. It helps to generate a supply of offenders
 - D. It deters potential fraudsters
- (1 mark)
44. Which one of the following statements **BEST** describes the difference between a “simple fraud risk assessment framework” and a “macro fraud risk assessment framework”?
- A. A macro fraud risk assessment focus on the overview of the fraud risk index, while the simple fraud risk assessment, identify and assess individual risks
 - B. A macro fraud risk assessment focus on the individual fraud risk index, while the simple fraud risk assessment focus on the overview of the fraud index
 - C. A simple fraud risk assessment focus on the overview of the fraud risk index, while the macro fraud risk assessment, identify and assess individual risks
 - D. None of the above
- (1 mark)
45. Which one of the following risks is associated with the three categories of occupational crime?
- A. Conflict of interest
 - B. Competitive intelligence risk
 - C. Information and technology risk
 - D. Reputational risk
- (1 mark)
46. Which of the following is **NOT** a type of an external fraud exposure?
- A. Corporate espionage
 - B. Computer hacking
 - C. Fraudulent vendor invoices
 - D. Fraudulent disbursements
- (1 mark)
47. Which of the following statements is **NOT** accurate in regard to an internal control system with quality controls that can effectively mitigate fraud risks?
- A. It can be effective in mitigation of fraud risks
 - B. It sends a message across the organisation that fraud will not be tolerated
 - C. It balances preventive and detective controls with basic controls
 - D. It can be effective in proactive detection of fraud
- (1 mark)

48. Which one of the following **BEST** describes implementation of positive reinforcement controls to respond to identified fraud risks?
- A. Balancing of preventive and detective controls
 - B. Avoiding the risk
 - C. Mitigating the risks
 - D. Maximising the risks
- (1 mark)
49. Which one of the following statements is **ACCURATE** in regard to fraud risk appetite?
- A. Residual fraud risk, is the risk that remains after mitigation and is usually within the risk appetite of the organisation
 - B. An organisation with a fraud risk appetite demonstrate high tolerance for fraud risks
 - C. An organisation that has no tolerance for fraudulent activities must have some appetite for fraud risks
 - D. Fraud risk appetite is not desirable in a business environment
- (1 mark)
50. Which one of the following risks **BEST** describes low personal integrity fraud risk?
- A. Inherent risk
 - B. Residual risk
 - C. Behavioural risk
 - D. Internal risk
- (1 mark)
51. Which one of the following risks **BEST** describe sense of entitlement fraud risk?
- A. Inherent risk
 - B. Residual risk
 - C. External fraud risk
 - D. Internal fraud risk
- (1 mark)
52. Which one of the following indexes **BEST** describes the desired environmental risk index?
- A. Low index
 - B. High index
 - C. Medium index
 - D. Effective index
- (1 mark)
53. Which one of the following parties has the primary responsibility for managing fraud risks?
- A. Management
 - B. Board
 - C. Internal audit
 - D. Risk owners
- (1 mark)
54. The following anti-fraud controls can help to discourage employees from engaging in fraudulent activities, **EXCEPT** _____.
- A. surprise audits
 - B. proactive data analysis techniques
 - C. a comprehensive code of ethics
 - D. proactive forensic audits
- (1 mark)

55. Which one of the following is **NOT** an inherent risk?
A. Opportunity
B. Weak controls
C. Low perception of detection
D. Lack of ownership (1 mark)
56. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment team?
A. Team members must have good understanding of fraud, diverse knowledge and skills in risk assessment
B. Team members must have professionals in risk management
C. Team members must have good interviewing skills
D. Team members must have good interpersonal skills (1 mark)
57. Which of the following parties can send a message of authority in support of fraud risk assessment?
A. The chair of the audit committee
B. Management
C. The Board
D. Accounting and internal audit personnel (1 mark)
58. Which one of the following is **NOT** an example of a fraud risk that should be identified and included in the fraud risk register?
A. Employees collusion
B. Management override of controls
C. Internal controls that might have been eliminated due to various changes
D. Sense of ownership (1 mark)
59. The following are types of fraud exposure, **EXCEPT** _____.
A. high perception of detection
B. unethical organisation culture
C. knowledge and technical skills
D. management override of controls (1 mark)
60. Which one of the following methods is **NOT** a method of reducing fraud risks?
A. Designing and implementing detective controls
B. Conducting proactive forensic audits
C. Conducting fraud audits
D. Conducting special audits (1 mark)
61. Which one of the following methods is **NOT** a recommended method of conducting fraud risk assessment?
A. Use of questionnaires
B. Use of a hotline to receive information
C. Conducting surveillance
D. Discussing fraud risk with employees (1 mark)

62. Which one of the following responses is appropriate in responding to a risk that is not within the risk appetite of the organisation?
- A. Assuming the risk
 - B. Eliminating the risk
 - C. Mitigating the risk
 - D. None of the above
- (1 mark)
63. Which one of the following **BEST** describes the control that would help to reduce sense of entitlement?
- A. Adequate compensation
 - B. Forensic audits
 - C. Segregation of duties
 - D. Surprise audits
- (1 mark)
64. Which one of the following statements is **MOST** accurate in regard to a fraud risk assessment process?
- A. The fraud risk assessment is both preventive and detective control
 - B. The fraud risk assessment is a detective control
 - C. The fraud risk assessment a preventive control
 - D. The fraud risk assessment is a holistic program of managing fraud risks
- (1 mark)
65. Which one of the following **BEST** describes a set of rules and procedures that maximise fraud detection?
- A. Internal control system
 - B. Detective controls
 - C. Fraud risk assessment
 - D. Fraud risk management
- (1 mark)
66. Which one of the following **BEST** describes fraud risk that facilitates fraudulent financial reporting?
- A. Situational pressure
 - B. Inadequate oversight
 - C. Lack of loyalty
 - D. Sense of entitlement
- (1 mark)
67. Which of the following is **NOT** a risk factor that should be considered when developing a fraud risk management programme?
- A. Financial condition
 - B. Business environment
 - C. Legal and regulatory environment
 - D. Financial performance
- (1 mark)
68. Which one of the following processes involves balancing the organisation's strategic, operational, reporting and compliance objectives against the organisation's risk appetite?
- A. Risk assessment
 - B. Risk mitigation
 - C. Risk response
 - D. Risk management
- (1 mark)

69. Which one of the following **BEST** describes the control that would help to mitigate lack of ownership fraud risk?
- A. Adequate compensation
 - B. Forensic audits
 - C. Recognition and rewards
 - D. Surprise audits
- (1 mark)
70. Which one of the following **BEST** describes the control that would help to mitigate low notification risk index?
- A. Fraud Training and awareness
 - B. Effective reporting program
 - C. Forensic audits
 - D. Recognition and rewards
- (1 mark)
71. Which of the following is the internal auditor's responsibility in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management programme
 - B. Monitoring and proactively improving the fraud risk management programme
 - C. Performing and regularly updating the fraud risk assessment
 - D. Designing and implementing fraud related controls to mitigate identified fraud risks
- (1 mark)
72. Which one of the following statements is **ACCURATE** in regard to the responsibility for the risk officer in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. Coordination of fraud risk identification and mitigation
- (1 mark)
73. Which of the following is a risk factor associated with lack of detective controls?
- A. Justification to engaging in fraud
 - B. Low personal integrity
 - C. Perceived situational pressure
 - D. Low perception of detection
- (1 mark)
74. Which one of the following statements describes the component of information, communication and reporting in risk management?
- A. Tone at the top, that reinforces the importance of risk management
 - B. Continuous process of obtaining and sharing information across the organisation
 - C. Formal process of setting strategy and defining business objectives
 - D. Assessment of major changes that might affect its strategy and objectives
- (1 mark)
75. Which one of the following **BEST** describes culture, capabilities and practices, integrated with strategy-setting and its performance, that organisations rely on to manage risk in creating, preserving and realising value?
- A. Anti-fraud policy
 - B. Internal control system
 - C. Fraud risk management
 - D. None of the above
- (1 mark)

76. Which one of the following is a hard control that must be integrated with fraud related controls?
A. Fraud detection
B. Fraud risk assessment
C. Segregation of duties
D. Surprise audits (1 mark)
77. Which one of the following statements is **ACCURATE** in regard to fraud investigation and corrective principle?
A. Identification of fraud risks
B. Taking corrective action
C. Evaluate communicate and remediate deficiencies
D. Putting preventive and detective controls in place (1 mark)
78. Which one of the following is **NOT** a risk factor be considered when tailoring a risk management programme?
A. Legal and regulatory environment
B. Financial condition
C. The effectiveness of the internal controls
D. The culture of the organisation (1 mark)
79. Which one of the following is **NOT** a sub component of the culture fraud index?
A. Environmental fraud risk index
B. Tolerance risk index
C. Entitlement risk index
D. Notification risk index (1 mark)
80. Which one of the following statements **BEST** describes the acceptable entitlement risk index?
A. Entitlement risk index should be high
B. Entitlement risk index should be low
C. Entitlement risk index should be medium
D. Entitlement risk index should be zero (1 mark)
81. Which one of the following is **NOT** an environmental and culture fraud risk?
A. Strategy
B. Goal settings
C. People
D. Pressure (1 mark)
82. Which one of the following elements is **NOT** associated with fraud risk governance principle?
A. Establish fraud risk governance roles and responsibilities throughout the organisation
B. Establish a register of external and internal fraud risk factors
C. Establish a comprehensive fraud risk management policy
D. Establish a fraud risk management programme (1 mark)

83. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment principle?
- A. Mapping the existing fraud control controls to the identified fraud risks
 - B. Determine how to respond to the fraud risks
 - C. The design and implementation of control activities
 - D. Assess the likelihood and the impact of risks identified
- (1 mark)
84. Which one of the following statements is **NOT** accurate in regard to audit plan?
- A. The auditor should incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should identify, assess and respond to fraud risks
 - C. The auditor should conduct a formal structured fraud risk assessment before conducting an audit
 - D. None of the above
- (1 mark)
85. Which one of the following anti-fraud controls will **NOT** help in encouraging employees not to engage in fraudulent activities?
- A. Fraud audits
 - B. Anti-fraud policy
 - C. Training and awareness
 - D. Comprehensive compliance programme
- (1 mark)
86. Which one of the following **BEST** describes a hard control?
- A. Fraud audits
 - B. Proactive forensic audit
 - C. Physical security controls
 - D. Hiring policies and procedures
- (1 mark)
87. Which one of the following is **NOT** an objective of a fraud risk management programme?
- A. Management's risk appetite
 - B. The investment in anti-fraud controls
 - C. The prevention of frauds that are insignificant
 - D. The prevention of frauds that are material in nature or amount
- (1 mark)
88. Which of the following statements is **NOT** accurate according to the joint COSO and ACFE fraud risk management guide and managing the business risk of fraud?
- A. Know what is their individual roles within the organisation's fraud risk management framework
 - B. Participate in evaluating the design and implementation of internal controls
 - C. Cooperate during investigations
 - D. Support in the identification of fraud risks
- (1 mark)
89. Which of the following is **NOT** an essential component of managing fraud risk effectively?
- A. A formal fraud risk awareness programme for all employees
 - B. A requirement for directors, employees and contractors to explicitly affirm that they have read, understood and complied with the organisation's code of conduct and fraud risk management programme
 - C. A proactive identification and assessment of the organisation's fraud risks
 - D. Occasional fraud awareness trainings
- (1 mark)

90. Which one of the following statements is **NOT** accurate in regard to management's responsibility for designing, implementing, monitoring and improving the fraud risk management program?
- A. Management should have a general idea about the organisation's fraud risks
 - B. Punish perpetrators caught in fraudulent and corrupt activities
 - C. Report to the board of directors on a regular basis regarding the effectiveness of the organisation's fraud risk management programme
 - D. None of the above
- (1 mark)
91. Which one of the following statements is **NOT** accurate in regard to management's statement of commitment to fraud risk management?
- A. Acknowledgement of the organisation's vulnerability to fraud
 - B. Establishment of the responsibility for each person in the organisation
 - C. Management's "zero tolerance" for fraudulent behaviour
 - D. Management's "no tolerance" for fraud risk
- (1 mark)
92. Which one of the following is **NOT** a type of a positive reinforcement measures that need to be put in place to mitigate risks of fraud?
- A. Independent reconciliations
 - B. Fraud audits
 - C. Forensic audits
 - D. Reducing pressure
- (1 mark)
93. Which one of the following parties has the responsibility for assisting in providing oversight over the design, implementation, monitoring, and improvement of the fraud risk management programme?
- A. Internal auditor
 - B. The Board
 - C. Management
 - D. Forensic Fraud Investigators
- (1 mark)
94. Which one of the following is **NOT** a responsibility for the management in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management programme
 - B. Monitoring and proactively improving the fraud risk management programme
 - C. Performing and regularly updating the fraud risk assessment
 - D. Monitoring the effectiveness of the internal controls
- (1 mark)
95. Which one of the following is a responsibility for the internal auditor in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. None of the above
- (1 mark)
96. Which one of the following parties has the primary responsibility for monitoring and proactively improving the fraud risk management programme?
- A. Management
 - B. Risk officer
 - C. Internal auditor
 - D. The Board
- (1 mark)

97. Which one of the following control measures would make an environment **NOT** conducive for engaging in fraud?
- A. Conducting training and awareness
 - B. Increasing the perception of detection
 - C. Enhancing the hard controls
 - D. Low perception of detection
- (1 mark)
98. Which one of the following statements is associated with risk governance?
- A. Tone at the top that reinforces the importance of risk management
 - B. Continuous process of obtaining and sharing information across the organisation
 - C. Formal process of setting strategy and defining business objectives
 - D. Assessment of major changes that might affect its strategy and objectives
- (1 mark)
99. Which one of the following statements is **ACCURATE** in regard to fraud risk management?
- A. Organisations should have a separate fraud risk management programme
 - B. Organisations with an enterprise risk management framework does require a separate framework
 - C. Organisations should not have a separate fraud risk management programme
 - D. None of the above
- (1 mark)
100. Which one of the following parties has responsibility for assisting in monitoring and proactively improving the fraud risk management programme?
- A. Management
 - B. Risk officer
 - C. Internal auditor
 - D. Board
- (1 mark)

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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 19 August 2024. Afternoon 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 actions does **NOT** demonstrate an organisation's zero tolerance to fraud?
 - A. A clear statement from the board and management on their zero statement
 - B. A leadership that is of high integrity and ethical values
 - C. Establishing a strong control environment
 - D. Absence of fraud response plan policy(1 mark)

2. Which one of the following statements **BEST** describes "macro fraud risk assessment" framework?
 - A. It is an overview of the fraud risk index of an organisation
 - B. It identifies individual fraud risk index and develop a risk register
 - C. It calculates cost of the overall fraud index
 - D. None of the above(1 mark)

3. Which one of the following fraud risk index components is supposed to be high?
 - A. Tolerance
 - B. Notification
 - C. Environmental
 - D. Entitlement(1 mark)

4. Which one of the following fraud risk index components is **NOT** supposed to be mitigated to a low fraud risk index?
 - A. Tolerance
 - B. Environmental
 - C. Entitlement
 - D. Prevent and detect(1 mark)

5. Which one of the following fraud risks is a type of an internal fraud risk?
 - A. Corporate espionage
 - B. Fraudulent disbursements
 - C. Fraudulent vendor invoices
 - D. None of the above(1 mark)

6. Which one of the following statements is the **MAIN** factor that contributes to fraudulent and corrupt activities?
 - A. Likelihood of occurrence of fraud
 - B. The quality of the preventive and detective controls
 - C. The people or department
 - D. The hard controls in place(1 mark)

7. Which one of the following statements is **NOT** accurate in regard to an effective internal control system?
 - A. It can be effective in mitigating all fraud risks to an acceptable level
 - B. It sends a message across the organisation that fraud will not be tolerated
 - C. It balances the fraud related controls
 - D. None of the above(1 mark)

8. Which one of the following controls **BEST** describes the right balance of preventive and detective controls?
 A. Effective controls
 B. Quality controls
 C. Strong controls
 D. Hard controls (1 mark)
9. Which one of the following statements is **NOT** accurate in regard to remaining risk?
 A. Remaining risk must be low if well mitigated
 B. Remaining risk must be mitigated further if the residual risk is not within the organisation's risk appetite
 C. Remaining risk does not require further mitigation if it is within the organisation risk appetite
 D. Remaining risk must be significantly lower than the inherent risk (1 mark)
10. Which one of the following factors is **NOT** a fraud risk factor that fraud risk assessment team should identify and assess?
 A. High level of notification
 B. Employees collusion
 C. High sense of entitlement
 D. Low personal integrity (1 mark)
11. Which one of the following statements is **ACCURATE** in regard to fraud risk assessment?
 A. It should include head of departments, a consultant and employees
 B. It should be conducted by senior management and a consultant
 C. It should be conducted by the risk department
 D. None of the above (1 mark)
12. Which one of the following fraud controls should be balanced to reduce fraud risks?
 A. Detective and soft controls
 B. Basic and soft controls
 C. Positive reinforcement controls
 D. Positive reinforcement and negative reinforcement (1 mark)
13. Which of the following parties **BEST** describe an appropriate sponsor for a fraud risk assessment?
 A. An auditor
 B. The chief executive officer
 C. The chair of the board
 D. None of the above (1 mark)
14. Which one of the following fraud controls can help to discourage employees in engaging in a fraudulent activity?
 A. Surprise audits
 B. Training and awareness
 C. Code of ethics
 D. None of the above (1 mark)
15. Which one of the following statements is **NOT** the best practice of communication about upcoming fraud risk assessment?
 A. The communication should be generalised to avoid employees stress
 B. The communication should be personalised to enable all members of staff to embrace the process
 C. The communication should be communicated throughout the business
 D. None of the above (1 mark)
16. Which one of the following statements is **NOT** accurate in regard to the objective of anti-fraud controls?
 A. The objective of anti-fraud controls is to reduce all fraud risk to the appetite level
 B. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 C. The objective of anti-fraud controls is to reduce most fraud risks to an acceptable level
 D. None of the above (1 mark)
17. The following are examples of fraud risks, **EXCEPT**_____.

- A. employees collusion
B. management override of controls
C. lack of loyalty
D. high perception of detection (1 mark)
18. The following are types of corruption risks, **EXCEPT** _____.
A. the wrong tone at the top
B. unethical organisation culture
C. management override of controls
D. none of the above (1 mark)
19. Which one of the following procedures is a fraud detective procedure to respond to fraud risk?
A. Fraud training and awareness
B. Fraud audit
C. Reporting fraud hotlines
D. Special audits (1 mark)
20. Which one of the following procedures responds to high risk in addition to mitigation?
A. Looking for fraud
B. Conducting an investigation
C. Eliminating the risk
D. None of the above (1 mark)
21. The following are types of positive reinforcement, **EXCEPT** _____.
A. fraud detection
B. proactive forensic audits
C. special audit
D. surprise audit (1 mark)
22. Which one of the following fraud risks facilitates fraudulent activity that must be identified during a fraud risk assessment?
A. Rationalisation
B. Corruption risk
C. Fraudulent disbursements risk
D. Environmental risk (1 mark)
23. Which one of the following statements is **NOT** accurate in regard to fraud risk management?
A. Management must do a cost-benefit analysis of the anti-fraud controls against the risk appetite
B. Management should express risk appetite according to the organisation's culture and operations
C. Management should consider previous incidences of fraud as an objective of a fraud risk management programme
D. None of the above (1 mark)
24. Which one of the following statements **BEST** describes the objective of fraud risk management programme?
A. Fraud deterrence and prevention
B. Fraud prevention, detection and response to fraud
C. Fraud response and detection
D. None of the above (1 mark)
25. Which one of the following statements is **ACCURATE** in regard to an organisation's fraud risk tolerance?
A. Most organisations have defined their fraud risk appetite
B. Most organisations have mitigated their fraud risks and are well within their risk appetite
C. Most organisations have balanced their fraud risk appetite with the resources required to mitigate the risks
D. None of the above (1 mark)
26. Which one of the following parties in the organisation has the primary responsibility for monitoring and improving the fraud risk management programme?
A. Internal auditor
B. The board of directors
C. Management
D. None of the above (1 mark)

27. The following are the responsibilities for the board of directors, **EXCEPT** _____.
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Monitoring of fraud-related controls and fraud risk management
 - D. None of the above
- (1 mark)
28. Which one of the following statements describes the audit committee's responsibility for fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management programme
 - B. Proactively improving the fraud risk management programme
 - C. Performing and regularly updating the fraud risk assessment framework
 - D. Receiving regular reports of incidences of fraud
- (1 mark)
29. Which one of the following terms describes an activity of fraud risk management?
- A. Prioritisation
 - B. Detection
 - C. Prevention
 - D. Response
- (1 mark)
30. The following are detective controls, **EXCEPT** _____.
- A. fraud audits
 - B. proactive forensic audits
 - C. analytical data review
 - D. segregation of duties
- (1 mark)
31. Which one of the following statements is a motivation factor for fraudulent and corrupt activities?
- A. A weak internal control
 - B. Absence of control
 - C. Culture of the organisation
 - D. Employees low personal integrity
- (1 mark)
32. Which one of the following statements is **ACCURATE** in regard to fraud risk assessment process?
- A. The assessment team is expected to express an audit opinion
 - B. The assessment team is expected to make a subjective judgement in evaluation of the assessed risks
 - C. Fraud risk assessment team should conduct a risk assessment only in high risk
 - D. The assessment team is expected to make an objective judgement in evaluation of the assessed risks
- (1 marks)
33. Which of the following is **NOT** a principle associated with the risk assessment process?
- A. Identification of potential fraud
 - B. Assessing changes that could significantly impact the internal control system
 - C. Continuous monitoring of risks
 - D. Detection of potential risks
- (1 mark)
34. Which of the following is **NOT** a fraud risks associated with occupational fraud?
- A. Rationalisation
 - B. Low personal integrity
 - C. Perceived situational pressure
 - D. Sense of entitlement
- (1 mark)
35. Which of the following is **NOT** an ERM component?
- A. Review and revision
 - B. Strategy and objective setting
 - C. Correction and investigation
 - D. None of the above
- (1 mark)
36. Which one of the following statements is **NOT** accurate according to the joint COSO/ACFE Fraud Risk Management Guide and Managing the Business Risk of Fraud in regard to employees and management?
- A. All employees must understand the business strategy and the risks associated with the achievement of the objectives
 - B. All employees must have a basic understanding of fraud and be aware of the red flags
 - C. Only employees, with specific responsibility for fraud prevention, are expected to understand their individual roles within the organisation's fraud risk management framework
 - D. None of the above
- (1 mark)

37. Which of the following is **NOT** one of the five broad principles of fraud risk management?
- A. Fraud risk governance
 - B. Fraud risk assessment
 - C. Correction and investigation
 - D. None of the above
- (1 mark)
38. Which of the following **BEST** describes the basis of identifying fraud risks when conducting a fraud risk assessment?
- A. Materiality basis
 - B. Significance basis
 - C. Impact basis
 - D. Inherent basis
- (1 mark)
39. Which one of the following statements is **NOT** accurate in regard to risk appetite?
- A. Risk tolerance and fraud risk appetite terminology can be used interchangeably
 - B. The management and board should have zero tolerance for fraud risks
 - C. The management and board should have low fraud risk appetite
 - D. The management and board should actively manage and monitor fraud risks to be within the established risk appetite
- (1 mark)
40. Which one of the following statements is **NOT** accurate in regard to fraud risk register?
- A. It creates a portfolio of the organisations fraud risks
 - B. It can be used for compliance purposes
 - C. It is a repository for all detected fraud risks
 - D. Developing a fraud risk register is the first step of a fraud risk assessment
- (1 mark)
41. Which of the following is **NOT** a fraud risk assessment criterion?
- A. Identification of fraud risk
 - B. The impact of the risk if it materialises
 - C. Mapping risks to the people associated with the risk
 - D. Mapping the risk to the basic controls
- (1 mark)
42. Which of the following is a fraud risk response to residual risks that involve design and implementation of more fraud preventive and detective controls?
- A. Avoiding the risk
 - B. Mitigating the risk
 - C. Eliminating risks
 - D. Assuming the risks
- (1 mark)
43. Which of the following principles of COSO ERM 2017 is associated with the board's responsibility for fraud risk oversight?
- A. Investigation and correction
 - B. Review and revision
 - C. Information and communication
 - D. Culture and governance
- (1 mark)
44. Which one of the following statements is **NOT** accurate in regard to the components of an effective fraud risk management program?
- A. Management should inform the organisation that it will proactively conduct fraud detection activities
 - B. Management should enhance the organisation's positive public image and reputation
 - C. Management should enhance goodwill with other organisation and the general public
 - D. Management should not create awareness of fraud detection activities to enhance chances of detection
- (1 mark)
45. Preventive and detective fraud controls are related to which of the following IC 2013 Component?
- A. Control environment activities
 - B. Control activities
 - C. Monitoring activities
 - D. None of the above
- (1 mark)

46. Which of the following is **NOT** accurate in regard to fraud risk assessment framework?
- A. It is a framework that is used to document recommendations for treatment of the fraud risks
 - B. It is a framework that is used to document action holders
 - C. It is a framework that is used to document the effectiveness of the fraud related controls
 - D. It is incorporated into the enterprise risk management program
- (1 mark)
47. Which of the following parties has the primary responsibility for evaluating the effectiveness of the fraud risk management program?
- A. Risk management officer
 - B. Management
 - C. Internal auditor
 - D. Audit committee
- (1 mark)
48. Which of the following is an ERM 2017 component related to the COSO IC 2013?
- A. Strategy and objective settings
 - B. Control activities
 - C. Governance and culture
 - D. Review and revision
- (1 mark)
49. Which of the following is **NOT** a broad principle of fraud risk management?
- A. Fraud investigation and corrective action
 - B. Information and communication
 - C. Fraud control activities
 - D. Fraud risk assessment
- (1 mark)
50. Which of the following principles is associated with the organisation establishing and communicating a fraud risk management program?
- A. Fraud risk governance principle
 - B. Fraud risk assessment principle
 - C. Fraud control activities
 - D. Fraud risk oversight principle
- (1 mark)
51. Which of the following **BEST** describes the principle of identifying fraud risk?
- A. Fraud risk assessment principle
 - B. Fraud risk assessment process
 - C. Fraud investigation and correction action
 - D. None of the above
- (1 mark)
52. Which of the following **BEST** describes the principles behind the organisation selecting, developing and deploying preventive and detective fraud control activities to mitigate the risk of fraud?
- A. Fraud risk assessment principle
 - B. Fraud control activities
 - C. Fraud risk management monitoring activities principle
 - D. None of the above
- (1 mark)
53. Which one of the following statements is **ACCURATE** in regard to role of fraud risk assessment in fraud risk management?
- A. The fraud risk assessment helps management to detect fraud
 - B. The fraud risk assessment helps to identify events and situation that would make an organisation vulnerable to fraud and mitigate the risks accordingly
 - C. The fraud risk assessment helps management to define their risk tolerance
 - D. None of the above
- (1 mark)
54. Which one of the following **BEST** describes a component of a strong control environment?
- A. Board and management commitment to fraud risk management
 - B. Fraud risk assessment
 - C. Strong internal control system
 - D. Control activities
- (1 mark)
55. Which one of the following statements **BEST** describes “micro fraud risk assessment” framework?

- A. It is an overview of the fraud risk index of an organisation
B. It identifies individual fraud risk index and develop a risk register
C. It calculates cost of the overall fraud index
D. It identifies and assess individual fraud risks (1 mark)
56. Which one of the following statements is **ACCURATE** in regard to a notification fraud risk index?
A. Notification fraud risk index should be high
B. Notification fraud risk index should be low
C. Notification fraud risk index should be moderate
D. Notification fraud risk index is a type of a fraud risk (1 mark)
57. Which one of the following statements is **ACCURATE** in regard to prevention and detection of fraud risk?
A. Tolerance
B. Environmental
C. Entitlement
D. Prevent and detect (1 mark)
58. Which one of the following fraud risks **BEST** describes corporate espionage fraud risk?
A. External fraud risk
B. Internal fraud risk
C. Information technology fraud risk
D. None of the above (1 mark)
59. Which one of the following statements is **NOT** a component of assessing a fraud risk?
A. Likelihood of occurrence of fraud
B. The quality of the preventive and detective controls
C. The people or department
D. The hard controls in place (1 mark)
60. Which one of the following statements **BEST** describes the most effective method of mitigating fraud risks?
A. Putting adequate preventive controls
B. Putting adequate detective controls
C. Putting a good balance of preventive and detective controls
D. Putting more preventive than detective controls (1 mark)
61. Which one of the following statements **BEST** describes strong controls?
A. Strong controls are those controls that are well designed and implemented
B. Strong controls are those controls that are well designed and enforced
C. Strong controls are effective in mitigating fraud risks
D. Strong controls can help to eliminate fraud risks (1 mark)
62. Which one of the following statements is **NOT** accurate in regard to residual risk?
A. Residual risk is always low if it is well mitigated
B. Residual risk must be mitigated further if the residual risk is not within the organisation's risk appetite
C. Residual risk does not require further mitigation if it is within the organisation risk appetite
D. Residual risk is not always low even when it is well mitigated (1 mark)
63. Which one of the following statements **BEST** describes high sense of entitlement in regard to fraud risk?
A. High sense of entitlement is a facilitator of fraud
B. High sense of entitlement of a factor of fraud
C. High sense of entitlement is not a factor of fraud
D. High sense of entitlement is not a facilitator of fraud (1 mark)
64. Which one of the following controls should be well balanced to provide quality controls?
A. Detective and soft controls
B. Basic and soft controls
C. Positive reinforcement controls
D. Positive reinforcement and negative reinforcement (1 mark)
65. Which one of the following statements **BEST** describes fraud risk assessment in regard to fraud risk management?

- A. Fraud risk assessment provides both preventive and detective controls
 B. Fraud risk assessment provides only preventive controls
 C. Fraud risk assessment provides only detective controls
 D. Fraud risk assessment does not provide fraud risk management controls (1 mark)
66. Which one of the following statements is **ACCURATE** in regard to fraud audits?
 A. Fraud audits can help discourage employees in engaging in fraudulent activities
 B. Fraud audits cannot discourage employees in engaging in fraudulent activities
 C. Fraud audit is not a detective control
 D. Fraud audit is a preventive control (1 mark)
67. Which one of the following statements **BEST** describes the method of providing information about the fraud risk assessment?
 A. Providing general information
 B. Providing personalised information
 C. Providing information to senior management
 D. None of the above (1 mark)
68. Which one of the following statements is **NOT** accurate in regard to reducing fraud risks?
 A. All fraud risks can be reduced to acceptable level
 B. Residual fraud risk should be smaller than the inherent risks
 C. Most fraud risks can be reduced to an acceptable level
 D. None of the above (1 mark)
69. Which one of the following statements is **ACCURATE** in regard to lack of employees loyalty?
 A. Lack of employees loyalty is a factor of fraud
 B. Lack of employees loyalty is an element of fraud
 C. Lack of employees loyalty does not have effect
 D. Lack of employees loyalty does not have any effect on fraud as long as there are strong controls in place (1 mark)
70. Which one of the following is a type of an element that facilitates fraudulent activities?
 A. The wrong tone at the top
 B. Unethical organisation culture
 C. Management override of controls
 D. None of the above (1 mark)
71. Which of the following **BEST** describes the principle related to the organisation establishing a communication process to obtain information about potential fraud?
 A. Fraud risk governance principle
 B. Fraud control activities
 C. Investigation and correction
 D. Fraud risk assessment principle (1 mark)
72. Which one of the following statements is **NOT** a principle of ISO 31000:2018?
 A. It is based on the best available information
 B. It is inclusive and provides for appropriate and timely consideration of stakeholders
 C. It is integrated into all organisation activities
 D. It is integrated into high risk organisation activities (1 mark)
73. Which one of the following statements is **NOT** accurate in regard to fraud investigation and correction principle?
 A. Establish fraud investigation and response plan and protocols
 B. Communicates and remediate deficiencies
 C. Communicating investigation results
 D. None of the above (1 mark)
74. Which of the following is **NOT** a component that should be considered in developing a fraud risk management program?
 A. Legal and regulatory environment
 B. Financial condition
 C. The internal controls
 D. The culture of the organisation (1 mark)

75. Which of the following is **NOT** a component of the fraud index?
A. Environmental fraud risk index
B. Culture quotient index
C. Prevent and detect risk index
D. Opportunity (1 mark)
76. Which one of the following statements is **ACCURATE** in regard to risk index for culture quotient?
A. Fraud tolerance risk index should be low
B. Entitlement risk index should be high
C. Notification risk index should be low
D. Prevent and detect risk index should be low (1 mark)
77. Which of the following is **NOT** an environmental fraud risk?
A. Strategy
B. Goal settings
C. People
D. Opportunity (1 mark)
78. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment principle?
A. Identify the existing fraud control activities and their effectiveness
B. Determine how to respond to the fraud risks
C. The design and implementation of control activities to mitigate the fraud risks
D. Estimate the likelihood and cost of risks identified (1 mark)
79. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment?
A. The auditor should incorporate the results of a fraud risk assessment into the annual audit plan
B. The auditor should identify fraud risk in the course of an audit engagement
C. The auditor should conduct a formal structured fraud risk assessment before conducting an audit
D. None of the above (1 mark)
80. Which of the following fraud controls **CANNOT** help to encourage employees not to engage in fraudulent activity?
A. Surprise audits
B. Hiring due diligence
C. Training and awareness
D. Comprehensive compliance program (1 mark)
81. Which of the following is a type of a negative control?
A. Fraud audits
B. Forensic audits
C. Segregation of duties
D. None of the above (1 mark)
82. Which one of the following statements is **NOT** fraud risk management program objective?
A. Management's risk appetite
B. The investment in anti-fraud controls
C. The prevention of all frauds
D. The prevention of frauds that are material in nature or amount (1 mark)
83. Which one of the following statements is **NOT** an essential component for effectively managing fraud risk?
A. A formal fraud risk awareness program for all employees
B. A requirement for directors, employees, and contractors to explicitly affirm that they have read, understood and complied with the organisation's code of conduct and fraud risk management program
C. A proactive identification and assessment of the organisation's fraud risks
D. None of the above (1 mark)
84. Which one of the following statements is **NOT** accurate in regard to management's responsibility for fraud risk management?
A. Has an idea about the organisation's fraud risks
B. Punish perpetrators
C. Report to the board of directors on a regular basis regarding the effectiveness of the organisation's fraud risk management program
D. None of the above (1 mark)

85. Which one of the following statements should **NOT** be included in the management's statement of commitment?
- A. Acknowledgement of the organisation's vulnerability to fraud
 - B. Establishment of the responsibility for each person within the organisation to support fraud risk management efforts
 - C. Management's "no tolerance" for fraudulent behaviour
 - D. Management's "no tolerance" for fraud risk
- (1 mark)
86. Which of the following is **NOT** a type of a positive reinforcement measures?
- A. Independent reconciliations
 - B. Fraud audits
 - C. Hard controls
 - D. None of the above
- (1 mark)
87. Which of the following parties in the organisation has the primary responsibility for providing oversight over the design, implementation, monitoring and improvement of the fraud risk management program?
- A. Internal auditor
 - B. The Board
 - C. Management
 - D. The audit committee
- (1 mark)
88. Which one of the following statements is **NOT** a responsibility for the management in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. Providing oversight over the effectiveness of the fraud risk management program
- (1 mark)
89. Which one of the following statements is a responsibility of the internal auditor in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. None of the above
- (1 mark)
90. Which one of the following statements **BEST** describes the responsibility of the risk manager in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment framework
 - D. Coordinate the risk owners in managing fraud risks in their respective departments
- (1 mark)
91. Which one of the following statements is a risk factor that motivates a fraudster to perpetrate fraud?
- A. Justification to engage in fraud
 - B. Low personal integrity
 - C. Perceived situational pressure
 - D. Low perception of detection
- (1 mark)
92. Which one of the statements describes communication as part of the information, communication and reporting component?
- A. Tone at the top that reinforces the importance of risk management
 - B. Continuous process of obtaining and sharing of information across the organisation
 - C. Formal process of setting strategy and defining business objectives
 - D. Assessment of major changes that might affect its strategy and objectives
- (1 mark)
93. Which of the following is a type of a hard control that must be integrated with preventive and detective measures, for the controls to be effective?
- A. Fraud detection
 - B. Fraud risk assessment
 - C. Authorisation of transactions
 - D. Surprise audits
- (1 mark)

94. Which one of the following statements is **ACCURATE** in regard to the role of control activities in fraud risk management?
- A. The control activities put all other controls into action
 - B. Control activities creates a foundation for all other controls
 - C. Control activities help to prevent fraud
 - D. None of the above
- (1 mark)
95. Which one of the following statements is **NOT** accurate in regard to vendor due diligence procedures?
- A. An organisation requests the vendor to sign an anti-fraud policy after signing the contract
 - B. An organisation should include a clause in the contract requiring the vendor to report any instances of misconduct before signing a contract
 - C. An organisation should ensure that vendors have their own ethics and compliance program before signing a contract
 - D. An organisation should warn the vendor that they will be liable for any unethical conduct that occurs during the business, before they sign the contract
- (1 mark)
96. Which of the following customer due diligence (CDD) procedures would be **MOST** ideal?
- A. Know your customer
 - B. Analysing the customer's financial ability
 - C. Verifying the customer's identity
 - D. Contacting the customer's bank
- (1 mark)
97. Which one of the following statements is **NOT** a factor that might prompt an organisation to undertake further due diligence procedures for a new customer?
- A. The customer makes a very large purchase
 - B. The customer is a high-profile client
 - C. The customer has business dealings in a country known for corruption
 - D. None of the above
- (1 mark)
98. Which one of the following statements is **NOT** a factor or consideration related to fraud risk governance principle?
- A. Organisational commitment to fraud risk governance
 - B. Fraud risk governance support by the board of directors
 - C. Designing and implementing a comprehensive fraud risk policy
 - D. None of the above
- (1 mark)
99. Which one of the following statements is **NOT** a factor or consideration related to fraud risk assessment principle?
- A. Involving appropriate levels of management in the fraud risk assessment
 - B. Analysing internal and external factors
 - C. Identify management override of controls as a risk
 - D. Including the board in the fraud risk assessment team
- (1 mark)
100. Which of the following, Fraud Risk Management (FRM 2016) Principle is related to organisation establishing and communicating a fraud risk management program?
- A. Control environment
 - B. Fraud risk governance
 - C. Fraud risk oversight
 - D. None of the above
- (1 mark)
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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 22 April 2024. Afternoon 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. Fraud risk assessment process is a component of the fraud prevention health checkup. Fraud risk assessment provides for preventive controls.
Which one of the following statements **BEST** describes why fraud risk assessment is a preventive control?
 - A. The fraud risk assessment helps to identify, assess fraud risks and put in place controls that are commensurate to the risks
 - B. The fraud risk assessment helps management to define their risk appetite
 - C. The fraud risk assessment helps management to develop strategy to reduce fraud risks
 - D. All of the above(1 mark)

2. An organisation that has zero tolerance for fraud and corruption need to have an effective control system in place.
Which one of the following statements is **NOT** accurate in regard to an effective control system?
 - A. An effective control system can mitigate fraud risks
 - B. An effective control system can minimise incidences of fraud
 - C. An effective control system can maximise detection of fraudulent activities
 - D. None of the above(1 mark)

3. Which one of the following statements **BEST** describes the difference between a micro and macro fraud risk assessment framework?
 - A. A macro fraud risk assessment focus on the overview of the fraud risk index, while the micro fraud risk assessment, identify and assess individual risks
 - B. A macro fraud risk assessment focus on the individual fraud risk index, while the micro fraud risk assessment focus on the overview of the fraud index
 - C. A micro fraud risk assessment focus on the overview of the fraud risk index, while the macro fraud risk assessment, identify and assess individual risks
 - D. None of the above(1 mark)

4. Which one of the following is a specific risk related to the three categories of occupational fraud?
 - A. Improper asset valuation risk
 - B. Competitive intelligence risk
 - C. Information and technology risk
 - D. None of the above(1 mark)

5. Which one of the following is **NOT** a type of an external fraud risk?
 - A. Corporate espionage
 - B. Computer hacking
 - C. Fraudulent vendor invoices
 - D. None of the above(1 mark)

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6. An area can be evaluated as high risk based on various factors. Which one of the following statements is **NOT** accurate in regard to those factors?
- A. Past occurrences of fraud
 - B. The preventive and detective controls put in place to mitigate the risks
 - C. Red flags have been identified in the area
 - D. None of the above
- (1 mark)
7. An effective internal control system is critical in managing fraud risks. Which one of the following statements is **NOT** accurate in regard to an effective internal control system?
- A. It can be effective in mitigation of fraud risks
 - B. It sends a message across the organisation that fraud will not be tolerated
 - C. It balances the fraud related controls and basic controls
 - D. None of the above
- (1 mark)
8. Which one of the following **BEST** describes the response where management accept a risk?
- A. Reducing the risk
 - B. Transferring the risk
 - C. Assuming the risk
 - D. None of the above
- (1 mark)
9. The implementation of adequate preventive and detective controls to respond to an identified fraud risk, can **BEST** be described as_____.
- A. Balancing of preventive and detective controls
 - B. Avoiding the risk
 - C. Mitigating the risks
 - D. Maximising the risks
- (1 mark)
10. Which one of the following is **NOT** a risk factor that influences fraudulent activities?
- A. The effectiveness of its internal controls
 - B. The nature of the business
 - C. The culture of the organisation
 - D. None of the above
- (1 mark)
11. Which one of the following statements is **NOT** accurate in regard to residual risk?
- A. Residual risk is the risk that remains after mitigation of risks
 - B. Residual risk does not require any further mitigation, if the preventive controls are adequate
 - C. Residual risk must be mitigated further, if the residual risk, is not within the organisation's risk appetite
 - D. Residual risk does not require further mitigation, if the residual risk it is within the organisation's risk acceptable level
- (1 mark)
12. Which one of the following is **NOT** a potential fraud risks that the fraud risk assessment team should identify and assess?
- A. Reputation risk
 - B. Employees collusion
 - C. Low sense of entitlement
 - D. Low personal integrity
- (1 mark)
13. Fraud risk assessment must be objective. Which one of the following statements is **ACCURATE** in regard to objectivity of the fraud risk assessment?
- A. The fraud assessment should include risk owners, a consultant and employees with diverse knowledge
 - B. The fraud assessment should be conducted by management with the assistance of a consultant
 - C. The fraud assessment should be conducted by the risk department
 - D. None of the above
- (1 mark)
14. Which one of the following controls should management balance to ensure effective reduction of fraud risks?
- A. Detective and soft controls
 - B. Hard and soft controls
 - C. Preventive and detective controls
 - D. None of the above
- (1 mark)

15. A fraud risk assessment should be sponsored by a senior person who can command authority. Which one of the following **BEST** describes the right sponsor for a fraud risk assessment?
- A. An Auditor
 - B. The chief executive officer
 - C. The chair of the board
 - D. The chair of the audit committee
- (1 mark)
16. The following are anti-fraud controls that help to discourage employees to engage in fraudulent activity, **EXCEPT** _____.
- A. Surprise audits
 - B. Proactive data analysis techniques
 - C. Training and awareness
 - D. Proactive forensic audits
- (1 mark)
17. An organisation need to communicate its plan to conduct a fraud risk assessment. Which one of the following is **NOT** a best practice of communication about fraud risk assessment process?
- A. The communication should be generalised to enable all members of staff embrace the process to make it more effective
 - B. The communication should be personalised to enable all members of staff to embrace the process to make it more effective
 - C. The communication should be communicated throughout the business
 - D. None of the above
- (1 mark)
18. Which one of the following is **NOT** an objective of fraud risk assessment?
- A. To evaluate the inherent fraud risks
 - B. To assess the likelihood of the fraud risk materialising
 - C. To assess the impact of a fraud risk if it materialises
 - D. To evaluate the residual risk
- (1 mark)
19. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment team?
- A. Team members must have good understanding of fraud, diverse knowledge and skills in risk assessment
 - B. Team members must have professional qualifications in risk management
 - C. Team members must have good interviewing skills
 - D. None of the above
- (1 mark)
20. Which one of the following statements is **ACCURATE** in regard to inherent and residual fraud risks?
- A. Risks that are present before mitigation are described as residual risks
 - B. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 - C. The objective of anti-fraud controls is to make the inherent fraud risk significantly smaller than the residual fraud risk
 - D. All the above
- (1 mark)
21. Which one of the following parties is **NOT** an appropriate fraud risk assessment team member?
- A. The chair of the audit committee
 - B. The general counsel
 - C. External consultants
 - D. Accounting and internal audit personnel
- (1 mark)
22. Which one of the following is **NOT** an example of a fraud risk that the risk assessment should consider?
- A. Employees collusion
 - B. Management override of controls
 - C. Internal controls that might have been eliminated due to various changes
 - D. None of the above
- (1 mark)
23. Which one of the following is **NOT** a type of a fraud risk?
- A. The wrong tone at the top
 - B. Unethical organisation culture
 - C. Fair personnel practices
 - D. Management override of controls
- (1 mark)

24. Which one of the following is **NOT** a fraud mitigation procedure?
- A. Designing and implementing detective controls
 - B. Conducting forensic audits
 - C. Conducting fraud audits
 - D. None of the above
- (1 mark)
25. Which one of the following is **NOT** a recommended method of conducting fraud risk assessment?
- A. Use of questionnaires
 - B. Use of a hotline to receive information
 - C. Use of covert operations
 - D. None of the above
- (1 mark)
26. An organisation should balance their risk appetite with the resources they need to mitigate the risks. If the organisation finds that the cost of mitigating the risks is higher than the benefits achieved, which one of the following actions should management take?
- A. Assuming the risk by not taking any further action
 - B. Put more preventive and detective controls in place
 - C. Eliminate the risk
 - D. None of the above
- (1 mark)
27. Which one of the following is **NOT** a type of a soft control?
- A. Fraud audits
 - B. Forensic audits
 - C. Segregation of duties
 - D. None of the above
- (1 mark)
28. Which one of the following statements is **ACCURATE** in regard to a fraud risk assessment?
- A. The fraud risk assessment should include only management and auditor's views to ensure a holistic view of the organisation's fraud risks
 - B. The views of management alone are not sufficient and would not help to maintain independence and objectivity of the assessment process
 - C. The fraud risk assessment team should apply only qualitative factors when assessing the organisation's fraud risks
 - D. All the above
- (1 mark)
29. Which one of the following statements **BEST** describes fraud risk assessment?
- A. It is a process aimed at proactively identifying an organisation's vulnerabilities to both internal and external fraud
 - B. It is a set of rules and procedures that when put together minimise fraud risks
 - C. It is a process that aimed at giving reasonable assurance in regard to mitigation of fraud risks
 - D. None of the above
- (1 mark)
30. Which one of the following is an example of a fraud risk that facilitates fraudulent activity, that must be identified during a fraud risk assessment?
- A. Low personal integrity
 - B. Corruption risk
 - C. Fraudulent disbursements risk
 - D. Environmental risks
- (1 mark)
31. Which one of the following is **NOT** a type of external fraud?
- A. Theft of trade secrets
 - B. Espionage
 - C. Computer hacking
 - D. None of the above
- (1 mark)
32. In developing a fraud risk management program, management should tailor the program to the organisation's various factors. Which one of the following is a factor?
- A. Market condition
 - B. Business environment
 - C. Legal and regulatory environment
 - D. None of the above
- (1 mark)

33. Balancing the organisation's strategic, operational, reporting and compliance objectives against the organisation's risk tolerance is known as _____.
- A. Risk assessment
 - B. Enterprise risk management
 - C. Risk management
 - D. None of the above
- (1 mark)
34. In regard to the objectives of the fraud risk management program, which one of the following statements is **NOT** accurate?
- A. Management must do a cost-benefit analysis of the anti-fraud controls against the risk appetite
 - B. Management should express risk appetite according to the organisation's culture and operations
 - C. Management should consider previous incidences of fraud as an objective of a fraud risk management program
 - D. None of the above
- (1 mark)
35. Fraud risk management program has three main objectives. Which one of the following is an objective of the program?
- A. Fraud deterrence
 - B. Fraud mitigation
 - C. Fraud response
 - D. None of the above
- (1 mark)
36. Which one of the following statements is **ACCURATE** in regard to fraud risk appetite?
- A. Most organisations have defined their fraud risk appetite
 - B. Most organisations have mitigated their fraud risks and are well within their risk appetite
 - C. Most organisations have balanced their fraud risk appetite with the resources required to mitigate the risks
 - D. None of the above
- (1 mark)
37. Which one of the following party in the organisation has the primary responsibility for designing, implementing, monitoring and improving the fraud risk management program?
- A. Internal auditor
 - B. The board of directors
 - C. Management
 - D. All the above
- (1 mark)
38. The board of directors' have specific responsibilities pertaining to fraud risk management. Which one of the following is **NOT** one of those responsibilities?
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Monitoring of fraud-related controls to mitigate fraud risks
 - D. All of the above
- (1 mark)
39. Which one of the following is **NOT** accurate in regard to employee's responsibility in regard to fraud risk management?
- A. All employees are expected to cooperate during investigations as part of their duties
 - B. Only senior managers are expected to assist in the design and implementation of fraud control activities
 - C. All employees are expected to assist in the design and implementation of fraud control activities
 - D. Only senior management are expected to assist in the design of the fraud controls
- (1 mark)
40. Which one of the following parties has responsibility for developing a strategy to assess and manage fraud risks to be within the organisation's risk tolerance and strategic plans?
- A. The board
 - B. The management
 - C. The audit committee
 - D. The risk department
- (1 mark)
41. Which one of the following is a responsibility for the audit committee in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. None of the above
- (1 mark)

42. Which one of the following is **NOT** an activity of fraud risk management?
- A. Monitoring
 - B. Identification
 - C. Treatment
 - D. Detection
- (1 mark)
43. According to the joint IIA, AICPA and ACFE publication “Managing the Business Risk of Fraud: A Practical Guide”, who is responsible for managing fraud risk?
- A. Senior management
 - B. The board of directors
 - C. All employees
 - D. Executive management
- (1 mark)
44. The COSO’s Enterprise Risk Management-Integrated Framework has five components. Which one of the following is **NOT** a component of COSO’s Enterprise Risk Management?
- A. Control activity
 - B. Internal environment
 - C. Review and correction
 - D. Risk assessment
- (1 mark)
45. Which one of the following is **NOT** accurate in regard to what should be included in a fraud risk management program?
- A. Preventive and detective controls
 - B. Sanctions for fraud perpetrators
 - C. A response plan
 - D. None of the above
- (1 mark)
46. Which one of the following statements is **NOT** accurate in regard to an organisation’s fraud risk management program?
- A. Unintentional non-compliance must be well-publicised and carried out in a consistent and firm manner
 - B. Intentional non-compliance must be well-publicised and carried out in a consistent and firm manner
 - C. There should be a team, committee or an individual held responsible for monitoring compliance and responding to suspected incidences of non-compliance
 - D. None of the above
- (1 mark)
47. Which one of the following is **NOT** a type of detective anti-fraud controls?
- A. Fraud audits
 - B. Proactive forensic audits
 - C. Analytical data review
 - D. None of the above
- (1 mark)
48. Fraud risk is influenced by several factors. Which one of the following is **NOT** one of those factors?
- A. A weak internal control system
 - B. The geographic regions in which it operates
 - C. The ethics of its leadership team
 - D. Culture of the organisation
- (1 mark)
49. The board of directors and senior management should communicate about their dedication and commitment to the fraud risk management program. Which one of the following is **NOT** accurate in regard to the communication?
- A. Communication should be provided to all employees
 - B. Communication should be provided to vendors, customers and consultants
 - C. Communication should not be provided to third parties
 - D. Communication should be provided to third parties
- (1 mark)
50. Which one of the following is **ACCURATE** in regard to fraud risk assessment process?
- A. The assessment team is expected to express a professional opinion
 - B. The assessment team is expected to make a subjective judgement, in evaluation of the assessed risks
 - C. Fraud risk assessment team should conduct a risk assessment only in areas believed to high risk
 - D. All the above
- (1 mark)

51. According to the COSO, which one of the following is **NOT** a principle associated with the risk assessment process?
A. Identification of potential fraud
B. Assessing changes that could significantly impact the internal control system
C. Continuous monitoring of the risk management strategy
D. None of the above (1 mark)
52. The fraud risk assessment team should identify specific fraud risks associated with the three categories of fraud and also identify other specific fraud risks. Which one of the following is **NOT** one of those fraud risks?
A. Ability to rationalise engaging in fraud
B. Low personal integrity
C. Perceived situational pressure
D. Low perception of detection (1 mark)
53. ERM Framework has five components. Which one of the following is **NOT** an ERM component?
A. Review and revision
B. Strategy and objective setting
C. Performance
D. None of the above (1 mark)
54. Which one of the following statements is **NOT** accurate according to the joint COSO/ACFE Fraud Risk Management Guide and Managing the Business Risk of Fraud in regard to employees and management?
A. All employees must understand the business strategy and the risks associated with the achievement of the objectives
B. All employees must have a basic understanding of fraud and be aware of the red flags
C. All employees must understand their individual roles within the organisation's fraud risk management framework
D. None of the above (1 mark)
55. The following are broad principles of fraud risk management, **EXCEPT** _____.
A. Fraud Risk governance
B. Fraud risk assessment
C. Control environment
D. Fraud control activities (1 mark)
56. Fraud risk management is a process that involves several steps. Which one of the following is **NOT** a fraud risk step?
A. Risk management involves the detection of risks
B. Risk management involves prioritisation and treatment of risks
C. Risk management involves monitoring of risks that threaten an organisation's ability to provide value to its stakeholders
D. None of the above (1 mark)
57. Which one of the following statements is **ACCURATE** in regard identification and detection of fraud?
A. Identification and detection of fraud are two different exercises; fraud identification involves looking for fraud that might have already happened and identifying fraud risks respectively
B. Identification and detection are part of a fraud risk assessment process
C. Detection of fraud refers to recognising red flags and risks of fraud
D. None of the above (1 mark)
58. Which one of the following **BEST** describes the basis of identifying fraud risks when conducting a fraud risk assessment?
A. Materiality basis
B. Residual basis
C. Impact basis
D. None of the above (1 mark)
59. Which one of the following statements is **NOT** accurate in regard to risk appetite and risk tolerance?
A. Risk tolerance and fraud risk appetite terminology can be used interchangeably
B. The management and board should have zero tolerance for fraud risks
C. The management and board should have low fraud risk appetite for fraud
D. None of the above (1 mark)

60. Which one of the following statements is **NOT** accurate in regard to the purpose of a fraud risk register?
- A. A risk register creates a portfolio of the organisations fraud risks
 - B. A risk register can also be used for compliance purposes
 - C. A risk register is a repository for all detected fraud risks
 - D. None of the above
- (1 mark)
61. Which one of the following is **NOT** some fraud risk assessment criteria?
- A. The existence and effectiveness of the positive reinforcement measures
 - B. The impact of the risk if it materialises
 - C. Assess risks against the people associated with the risk
 - D. None of the above
- (1 mark)
62. Which one of the following is a fraud risk treatment for residual risks, that require designing and implementing more fraud detective controls?
- A. Avoiding the risk
 - B. Mitigating the risk
 - C. Assuming the risk
 - D. None of the above
- (1 mark)
63. Which one of the following principles of COSO ERM 2017, is associated with the board's responsibility for fraud risk oversight?
- A. Investigation and correction
 - B. Review and revision
 - C. Information and communication
 - D. None of the above
- (1 mark)
64. Which one of the following statements is **NOT** accurate in regard to the components of an effective fraud risk management program?
- A. Management should inform the organisation that it will proactively conduct fraud detection activities
 - B. Management should enhance the organisation's positive public image and reputation
 - C. Management should enhance goodwill with other organisation and the general public
 - D. Management should maintain confidentiality of fraud detection activities to enhance chances of detection
- (1 mark)
65. Which one of the following IC 2013 components is associated with the Fraud Risk Management (FRM 2016) Principle related to organisation, establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity?
- A. Control environment
 - B. Control activities
 - C. Information and communication
 - D. None of the above
- (1 mark)
66. Selecting, developing and deploying preventive and detective fraud controls is related to which of the following IC 2013 Component _____.
- A. Control environment activities
 - B. Control activities
 - C. Monitoring activities
 - D. None of the above
- (1 mark)
67. Which one of the following statements is **NOT** accurate in regard to fraud risk register?
- A. Fraud risk register documents all identified fraud risks
 - B. Fraud risk register is the starting point for developing fraud risk assessment framework
 - C. Fraud risk register is continuously updated with emerging risk
 - D. None of the above
- (1 mark)
68. Fraud risk assessment framework is a tool for managing fraud risks. Which one of the following is **NOT** accurate in regard to fraud risk assessment framework?
- A. It is a framework that is used to document recommendations for treatment of the fraud risks
 - B. It is a framework that is used to document action holders
 - C. It is a framework that is used to document the effectiveness of the fraud related controls
 - D. None of the above
- (1 mark)

69. Fraud risk management requires combined efforts. However, the level of responsibility differs. Which one of the following parties has the responsibility for evaluating the effectiveness of the fraud risk management program?
- A. Risk management officer
 - B. Management
 - C. Audit committee
 - D. Internal auditor
- (1 mark)
70. Which one of the following is **NOT** a ERM 2017 component related to the COSO IC 2013?
- A. Strategy and objective settings
 - B. Fraud risk assessment
 - C. Governance and culture
 - D. Review and revision
- (1 mark)
71. Which one of the following is **NOT** a broad principle of fraud risk management?
- A. Fraud investigation and corrective action
 - B. Control activities
 - C. Fraud control activities
 - D. Fraud risk assessment
- (1 mark)
72. Which one of the following principles is **NOT** associated with the organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity and ethical values regarding managing fraud risk?
- A. Fraud risk governance principle
 - B. Fraud risk assessment principle
 - C. Fraud control activities
 - D. Fraud risk oversight principle
- (1 mark)
73. When an organisation performs comprehensive fraud risk assessments to identify specific fraud schemes and assess their likelihood and significance, evaluate existing fraud control activities and implement actions to mitigate residual fraud risks, which one of the following **BEST** describes the principle behind the process?
- A. Fraud risk assessment principle
 - B. Fraud risk assessment process
 - C. Fraud investigation and correction action
 - D. None of the above
- (1 mark)
74. The principle behind the organisation selecting, developing and deploying preventive and detective fraud control activities to mitigate the risk of fraud is referred to as _____.
- A. Fraud risk assessment principle
 - B. Fraud control activities principle
 - C. Fraud risk management monitoring activities principle
 - D. None of the above
- (1 mark)
75. The principle related to the organisation establishing, a communication process to obtain information about potential fraud and deploys a coordinated approach to investigations and corrective action to address fraud appropriately and in a timely manner is referred to as _____.
- A. Fraud risk governance principle
 - B. Fraud control activities principle
 - C. Fraud risk governance principle
 - D. None of the above
- (1 mark)
76. Organisations that are serious in risk management, have customised their risk management programs and incorporated the elements of the COSO ERM 2017 and the ISO 31000:2018. Which one of the following is **NOT** a principle of ISO 31000:2018?
- A. It is based on the best available information
 - B. It is exclusive and does not provides for appropriate and timely consideration of stakeholder
 - C. Is integrated into all organisation activities
 - D. None of the above
- (1 mark)
77. Which one of the following statements is **NOT** accurate in regard to fraud investigation and corrective principle?
- A. Establish fraud investigation and response plan and protocols
 - B. Taking corrective action
 - C. Evaluate, communicate and remediate deficiencies
 - D. Communicating investigation results
- (1 mark)

78. Organisations can use a risk management framework as a guide in developing their risk program. However, management should customise the framework to the organisation's operations and many other factors.
- Which one of the following is **NOT** a component that should be included?
- A. Legal and regulatory environment
 - B. Financial condition
 - C. The effectiveness of the internal controls
 - D. The culture of the organisation
- (1 mark)
79. The macro fraud risk assessment is an overall risk assessment of the fraud index of an organisation. Which one of the following is **NOT** a component of the fraud index?
- A. Environmental fraud risk index
 - B. Culture quotient index
 - C. Prevent and detect risk index
 - D. None of the above
- (1 mark)
80. Which one of the following statements **BEST** describes the acceptable risk index for culture quotient?
- A. Fraud tolerance risk index should be high
 - B. Entitlement risk index should be high
 - C. Notification risk index should be high
 - D. All the above
- (1 mark)
81. Which one of the following is **NOT** an inherent environmental and culture fraud risk?
- A. Strategy
 - B. Goal settings
 - C. People
 - D. Opportunity
- (1 mark)
82. Which one of the following statements is **NOT** accurate in regard to fraud risk governance principle?
- A. Establish fraud risk governance roles and responsibilities throughout the organisation
 - B. Establish a register for external and internal fraud risk factors
 - C. Establish a comprehensive fraud risk management policy
 - D. Establish a fraud risk management program
- (1 mark)
83. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment principle?
- A. Identify the existing fraud control activities and their effectiveness
 - B. Determine how to respond to the fraud risks
 - C. The design and implementation of control activities to mitigate the fraud risks
 - D. Estimate the likelihood and cost of risks identified
- (1 mark)
84. Which one of the following statements is **NOT** accurate in regard to fraud risk assessment and audit plan?
- A. The auditor should incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should identify fraud risk in the course of an audit engagement
 - C. The auditor should conduct a formal structured fraud risk assessment before conducting an audit
 - D. None of the above
- (1 mark)
85. The following are anti-fraud controls encourages employees not to engage in fraudulent activity, **EXCEPT** _____.
- A. Surprise audits
 - B. Anti-fraud policy
 - C. Training and awareness
 - D. Comprehensive compliance program
- (1 mark)
86. Which one of the following is a type of a hard control?
- A. Fraud audits
 - B. Forensic audits
 - C. Segregation of duties
 - D. Hiring policies and procedures
- (1 mark)

87. Management must balance the following factors in determining the fraud risk management program objectives, **EXCEPT** _____.
- A. Management's risk appetite
 - B. The investment in anti-fraud controls
 - C. The prevention of frauds that are both material and immaterial
 - D. The prevention of frauds that are material in nature or amount
- (1 mark)
88. According to the joint COSO and ACFE Fraud Risk Management Guide and Managing the Business Risk of Fraud, all levels of employees should **NOT** do which of the following?
- A. Understand their individual roles within the organisation's fraud risk management framework
 - B. Participate in creating a strong control environment, designing and implementing fraud control activities and monitoring activities
 - C. Cooperate during investigations
 - D. None of the above
- (1 mark)
89. According to Managing the Business Risk of Fraud, which one of the following is **NOT** an essential component for effectively managing fraud risk?
- A. A formal fraud risk awareness program for all employees
 - B. A requirement for directors, employees and contractors to explicitly affirm that they have read, understood and complied with the organisation's code of conduct and fraud risk management program
 - C. A proactive identification and assessment of the organisation's fraud risks
 - D. None of the above
- (1 mark)
90. The primary responsibility for designing, implementing, monitoring and improving the fraud risk management program rests with senior management. To accomplish their responsibility, senior management must **NOT** do which of the following?
- A. Have a general idea about the organisation's fraud risks
 - B. Punish perpetrators of discovered fraud appropriately
 - C. Report to the board of directors on a regular basis regarding the effectiveness of the organisation's fraud risk management program
 - D. None of the above
- (1 mark)
91. The board of directors and senior management should issue a written statement of their commitment to fraud risk management. Which one of the following should **NOT** be included in the management's statement of commitment?
- A. Acknowledgement of the organisation's vulnerability to fraud
 - B. Establishment of the responsibility for each person within the organisation to support fraud risk management efforts
 - C. Management's "no tolerance" for fraudulent behavior
 - D. Management's "no tolerance" for fraud exposure
- (1 mark)
92. Which one of the following is **NOT** a type of a positive reinforcement measures that must be put in place to manage risks of fraud?
- A. Independent reconciliations
 - B. Fraud audits
 - C. Special audits
 - D. Reducing pressure
- (1 mark)
93. Which one of the following party in the organisation has the primary responsibility for providing oversight over the design, implementation, monitoring and improvement of the fraud risk management program?
- A. Internal auditor
 - B. The board
 - C. Management
 - D. The audit committee
- (1 mark)
94. Which one of the following is **NOT** a responsibility for management, in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. None of the above
- (1 mark)

95. Which one of the following is a responsibility for the internal auditor in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. None of the above
- (1 mark)
96. Which one of the following is a responsibility for the risk manager in regard to fraud risk management?
- A. Evaluating the effectiveness of the fraud risk management program
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. Providing support to the risk owners in managing fraud risks in their respective departments and coordinating overall fraud risk management
- (1 mark)
97. The fraud risk assessment team should identify risk factors that motivate a potential fraudster to perpetrate fraud. Which one of the following is a risk factor?
- A. Justification to engaging in fraud
 - B. Low personal integrity
 - C. Perceived situational pressure
 - D. Low perception of detection
- (1 mark)
98. Which one of the following statements describes communication as part of the information, communication and reporting component?
- A. Tone at the top that reinforces the importance of risk management
 - B. Continuous process of obtaining and sharing of information across the organisation
 - C. Formal process of setting strategy and defining business objectives
 - D. Assessment of major changes that might affect its strategy and objectives
- (1 mark)
99. According to the COSO ERM 2017 culture, capabilities and practices integrated with strategy-setting and its performance that organisations rely on to manage risk in creating, preserving and realising value is referred to as _____.
- A. Fraud prevention and deterrence
 - B. Internal control system
 - C. Enterprise risk management
 - D. Fraud risk management
- (1 mark)
100. Which one of the following is a type of a basic control that **MUST** be integrated with positive reinforcement measures for the basic control to be effective?
- A. Fraud detection
 - B. Fraud risk assessment
 - C. Segregation of duties
 - D. All the above
- (1 mark)
-



CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 4 December 2023. Afternoon 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. Culture Quotient fraud index is a macro assessment of how an the organisation and its people behave. Which of the following is **NOT** an element of quotient fraud index?
 - A. Fraud tolerance risk index
 - B. Entitlement risk index
 - C. Notification risk index
 - D. Prevent and detect risk index(1 mark)
2. Which of the following statements in regard to culture quotient is **NOT** accurate?
 - A. Fraud tolerance risk index should be low
 - B. Entitlement risk index should be low
 - C. Notification risk index should be high
 - D. None of the above(1 mark)
3. Which of the following is **NOT** an area, factor or consideration related to fraud risk governance principle?
 - A. Organisational commitment to fraud risk governance
 - B. Fraud risk governance support by the board of directors
 - C. Designing and implementing a comprehensive fraud risk policy
 - D. None of the above(1 mark)
4. Which of the following is **NOT** an area, factor or consideration related to fraud risk assessment principle?
 - A. Involving appropriate levels of management in the fraud risk assessment
 - B. Analysing internal and external factors
 - C. Identifying management override of controls as a risk
 - D. Organisational commitment to fraud risk governance(1 mark)
5. Which of the following is **NOT** accurate in regard to a fraud risk assessment process?
 - A. The assessment team must be perceived as independent and subjective by the organisation for the process to be effective
 - B. Management and auditors should share ownership of the process and accountability for its success
 - C. Conducting an effective fraud risk assessment requires thinking like a fraudster
 - D. All of the above(1 mark)
6. Which of the following statements is **ACCURATE**?
 - A. The auditor should incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should conduct an independent risk assessment and incorporate his own results in the audit plan
 - C. The auditor should conduct a comprehensive fraud risk assessment before conducting an audit
 - D. None of the above(1 mark)
7. A well-designed and effective system of internal controls can:
 - A. Reduce the risk of fraud
 - B. Mitigate risks of fraud to a zero level

- C. Eliminate fraud
D. All the above (1 mark)
8. Which of the following statements is **ACCURATE** in regard to Fraud Risk Assessment Frameworks?
A. Fraud risk assessment frameworks are valuable because they have been developed to fit any organisation
B. Fraud risk assessment frameworks are not valuable because they cannot fit every organisation
C. Fraud risk assessment frameworks can either be simple frameworks or macro assessment frameworks
D. None of the above (1 mark)
9. The fraud risk assessment team should **NOT** consider which of the following fraud risks in addition to the specific risks related to each of the three categories of occupational fraud?
A. Reputation risk
B. Law and regulatory risk
C. Information and technology risk
D. None of the above (1 mark)
10. Fraudulent customer payments, corporate espionage and hacking schemes are all fraud risks pertaining to which of the following categories?
A. External Fraud risk
B. Internal fraud
C. Information technology
D. None of the above (1 mark)
11. A fraud risk assessment report should reflect the assessment team's opinion formed during the assessment engagement. Which one is it?
A. Professional subjective opinion
B. Expert opinion
C. Qualified opinion
D. None of the above (1 mark)
12. An assessment team can evaluate an area as high risk only if the assessment has found which of the following?
A. Fraud has previously occurred in that area
B. Employees in the area are very corrupt
C. Red flags have been identified in the area
D. None of the above (1 mark)
13. Which of the following is **NOT** accurate about an effective internal control system?
A. It can be effective in mitigation of fraud risks
B. It increases the perception of detection
C. It balances preventive and detective controls
D. None of the above (1 mark)
14. If management chooses to accept a risk, rather than mitigate it, this response is known as:
A. Mitigating the risk
B. Transferring the risk
C. Avoiding the risk
D. None of the above (1 mark)
15. If management decides to implement appropriate prevention and detection controls to treat an identified fraud risk, this response is known as:
A. Transferring the risk
B. Mitigating the risk
C. Assuming the risk
D. None of the above (1 mark)
16. There are various factors that influence the level of fraud risk faced by an organisation. Which of the following is **NOT** one of them?
A. The effectiveness of its internal controls
B. The nature of the business
C. The ethics of its leadership team
D. None of the above (1 mark)

17. Fraud risks that exist before management has put in place fraud-related controls are referred to as:
- A. Residual risks
 - B. Fraud risks
 - C. Material risks
 - D. None of the above
- (1 mark)
18. Fraud risks that remain after management has put in place fraud-related controls are referred to as:
- A. Inherent risk
 - B. Residual risks
 - C. Material risks
 - D. None of the above
- (1 mark)
19. In identifying fraud risks that pertain to an organisation, the fraud risk assessment team should specifically **NOT** discuss which of the following as potential fraud risks?
- A. Management override of controls
 - B. Collusion
 - C. Low perception of detection
 - D. Employees' override of controls
- (1 mark)
20. Which of the following is **NOT** accurate in regard to ensuring the objectivity of the fraud risk assessment team?
- A. The assessment should be conducted by a consultant
 - B. The assessment should be conducted by management with the assistance of a consultant
 - C. The assessment should be conducted by the risk department
 - D. None of the above
- (1 mark)
21. Controls that are designed to stop fraud before it occurs and to detect it when it has already occurred, are referred to as which of the following respectively?
- A. Detective, investigative controls
 - B. Hard, soft controls
 - C. Investigative, deterrent controls
 - D. None of the above
- (1 mark)
22. Which of the following individuals would generally be the most appropriate sponsor of a fraud risk assessment?
- A. An Auditor
 - B. The CFO
 - C. The chair of the audit committee
 - D. None of the above
- (1 mark)
23. Detective anti-fraud controls include all of the following **EXCEPT**:
- A. Hiring policies and procedures
 - B. Proactive data analysis techniques
 - C. Hotline
 - D. Physical inspections
- (1 mark)
24. Which of the following is **NOT** accurate regarding the communication of the fraud risk assessment process?
- A. The communications should be in the form of a message from the risk assessment sponsor who must be a senior person who can command authority
 - B. The communication should not be personalised, to enable all members of staff to embrace the process to make it more effective
 - C. The communication should be openly made throughout the business
 - D. All the above
- (1 mark)
25. What is the objective of a fraud risk assessment?
- A. To assess the guilt or innocence of an employee suspected of committing fraud
 - B. To evaluate the design and effectiveness of an organisation's internal controls
 - C. To help an organisation identify what makes it most vulnerable to fraud
 - D. To estimate an organisation's fraud losses
- (1 mark)
26. After the conclusion of the fraud risk assessment process, which of the following is **NOT** accurate in regard to how management should use the results?
- A. Use the results to promote awareness and education to employees only
 - B. Evaluate progress against agreed action plans

- C. Use the assessment results to monitor the performance of key internal controls
 D. All of the above (1 mark)
27. Which of the following techniques of gathering information during a fraud risk assessment enable the fraud risk assessor to observe the interactions among several employees as they collectively discuss a question or issue?
 A. Interviews
 B. Survey
 C. Focus group
 D. None of the above (1 mark)
28. Which of the following is **NOT** accurate about the fraud risk assessment team?
 A. Team members should have a good understanding of fraud, diverse knowledge, and skills in risk assessment
 B. Team members should have advanced education in risk management
 C. Team members should be individuals with experience and good skills for gathering and eliciting information
 D. None of the above (1 mark)
29. Which of the following is **NOT** accurate regarding fraud risks?
 A. Risks that are present before mitigation are described as inherent risks
 B. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 C. The objective of anti-fraud controls is to mitigate the inherent fraud risks
 D. The objective of anti-fraud controls is to make the inherent fraud risk significantly smaller than the residual fraud risk (1 mark)
30. Which of the following is **NOT** an appropriate member of the fraud risk assessment team?
 A. The general counsel
 B. External consultants
 C. Accounting and internal audit personnel
 D. External auditors (1 mark)
31. During a fraud risk assessment, the assessment team should **NOT** consider which of the following?
 A. Possibility for collusion
 B. The inherent limitations of internal controls
 C. Internal controls that might have been eliminated due to restructuring or expansion efforts
 D. None of the above (1 mark)
32. All the following are accurate in regard to fraud risk assessment **EXCEPT** _____.
 A. The results should be used to develop plans to mitigate fraud risk
 B. It can help management identify individuals and departments which put the organisation at the greatest risk of fraud
 C. It can help management eliminate fraud risks
 D. None of the above (1 mark)
33. Which of the following is **NOT** a fraud risk?
 A. Management's leadership style
 B. Management's behaviour
 C. Unhappy employees
 D. None of the above (1 mark)
34. If an area is assessed as having a high fraud risk, which of the following procedures should management **NOT** conduct?
 A. Put specific detective measures to increase the perception of detection
 B. Conduct a fraud detection audit
 C. Conduct a forensic audit
 D. None of the above (1 mark)
35. The fraud risk assessment process should be conducted through which of the following methods?
 A. Surveillance
 B. Overt
 C. Open
 D. None of the above (1 mark)

36. In response to a risk identified during a fraud risk assessment, if management decides to eliminate an activity or a product because the control measures required to mitigate the risk are too costly, this is referred to as which one of the following?
- A. Assuming the risk
 - B. Mitigating the risk
 - C. Transferring the risk
 - D. None of the above
- (1 mark)
37. Auditors should evaluate whether the organisation is appropriately managing the moderate-to-high fraud risks identified during the fraud risk assessment. Which one of the following evaluation methods can the auditor use?
- A. Identifying within the moderate-to-high-risk areas whether there is a moderate-to-high risk of management override of internal controls
 - B. Designing and performing tests to evaluate whether the identified controls are operating effectively and efficiently
 - C. Identifying and mapping the existing controls that pertain to the low-to-high fraud risks identified in the fraud risk
 - D. All of the above
- (1 mark)
38. Preventive anti-fraud controls include all of the following **EXCEPT**:
- A. Investigative audits
 - B. Fraud awareness training
 - C. Segregation of duties
 - D. Hiring policies and procedures
- (1 mark)
39. In response to a risk identified during a fraud risk assessment, if management decides to purchase an insurance policy to help protect the company against fraud risk associated with employees embezzlement, which one of the following **BEST** describes this type of response?
- A. Avoiding the risk
 - B. Mitigating the risk
 - C. Assuming the risk
 - D. None of the above
- (1 mark)
40. Which of the following is **ACCURATE** in regard to a fraud risk assessment?
- A. The fraud risk assessment should include only management's and auditor's views to ensure a holistic view of the organisation's fraud risks
 - B. Their views of the management and the auditor are sufficient and would also help to maintain independence and objectivity of the assessment process
 - C. The fraud risk assessment team should apply either qualitative or quantitative factors when assessing the organisation's fraud risks
 - D. All the above
- (1 mark)
41. Payment of bribes to procure business is a fraud risk pertaining to which of the following category of occupational fraud?
- A. Kickbacks
 - B. Economic extortion
 - C. Corruption
 - D. None of the above
- (1 mark)
42. A process aimed at proactively identifying an organisation's vulnerabilities to both internal and external fraud is referred to as:
- A. Fraud risk examination
 - B. Fraud risk assessment
 - C. Fraud risk identification
 - D. Fraud risk response
- (1 mark)
43. The three elements of the fraud triangle that facilitate fraudulent activities are referred to as:
- A. Asset misappropriation risks
 - B. Corruption risk
 - C. Fraud risks
 - D. Environmental risks
- (1 mark)

44. Theft of competitor trade secrets, anti-competitive practices, environmental violations, and trade and customs regulations related to import and export are all fraud risks **BEST** described as:
- A. External fraud risk
 - B. Asset misappropriation risk
 - C. Regulatory and legal misconduct risk
 - D. Internal fraud risk
- (1 mark)
45. Which of the following is **NOT** one of the 11 principles of risk management provided by ISO 31000:2009?
- A. The risk management program takes human and cultural factors into account
 - B. The risk management program is based on transparency and accountability
 - C. The risk management program is dynamic, iterative, and responsive to change
 - D. The risk management program explicitly addresses uncertainty
- (1 mark)
46. The management of XZY company wants to develop a formal risk management program and is using a risk management framework as a guideline. In developing the program, management should tailor the framework to the organisation's:
- A. Market condition
 - B. Business environment
 - C. Culture
 - D. None of the above
- (1 mark)
47. Weighing an organisation's strategic, operational, reporting and compliance objectives against the organisation's risk appetite is **BEST** described as which one of the following?
- A. Risk assessment
 - B. Risk evaluation
 - C. Risk treatment
 - D. None of the above
- (1 mark)
48. According to the Committee of Sponsoring Organisations of the Treadway Commission (COSO), a process that is designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, in order to provide reasonable assurance regarding the achievement of the entity's objectives is referred to as:
- A. Internal controls
 - B. Fraud prevention
 - C. Fraud risk assessment
 - D. Enterprise risk management
- (1 mark)
49. Which of the following is **NOT** accurate with regard to the objective of the fraud risk management program?
- A. Management must do a cost-benefit analysis of the anti-fraud controls against the amount of risk it is willing to accept
 - B. Management should express risk appetite according to the organisation's culture and operations
 - C. Management should not consider previous incidences of fraud as an objective of a fraud risk management program
 - D. All of the above
- (1 mark)
50. An organisation's fraud risk management program should include all the following components **EXCEPT** _____.
- A. How to disclose conflict of interest
 - B. Quality assurance activities
 - C. Whistleblower protection policies
 - D. Corporate governance
- (1 mark)
51. Which of the following is **NOT** an objective of a fraud risk management program?
- A. Fraud detection
 - B. Fraud response
 - C. Fraud prevention
 - D. None of the above
- (1 mark)
52. In defining the objectives of the fraud risk management program, management can decide to express its risk appetite using different measurements. Which of the following is **NOT** one of those measurements?
- A. Quantitatively
 - B. Qualitatively
 - C. Materiality
 - D. None of the above
- (1 mark)

53. The primary responsibility for designing, implementing, monitoring and improving the fraud risk management program rests with:
- A. Risk officer
 - B. Internal auditor
 - C. The board of directors
 - D. None of the above
- (1 mark)
54. Which of the following is **NOT** one of the board of directors' responsibilities pertaining to fraud risk management?
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Designing and implementing fraud-related controls to mitigate fraud risks
 - D. All of the above
- (1 mark)
55. According to an organisation's fraud risk management program, which of the following is **NOT** accurate in regard to employees at all levels?
- A. Be aware how non-compliance might create a risk of fraud
 - B. Cooperate with investigators in investigations of suspected or alleged fraud incidents, in compliance with anti-fraud policy
 - C. Only senior managers are expected to assist in the design and implementation of fraud control activities
 - D. All of the above
- (1 mark)
56. Various parties in an organisation have different levels of responsibility for fraud. Which of the following parties is responsible for developing a strategy to assess and manage fraud risks to be within the organisation's risk appetite and strategic plans?
- A. The internal audit department
 - B. The management
 - C. The risk department
 - D. None of the above
- (1 mark)
57. The audit committee has specific responsibilities for fraud risk management. Which of the following is one of those responsibilities?
- A. Receiving regular reports on the status of reported or alleged fraud
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk assessment
 - D. None of the above
- (1 mark)
58. Risk management includes a number of activities in respect to risks that threaten an organisation. Which of the following is **NOT** one of those activities?
- A. Monitoring
 - B. Identification
 - C. Treatment
 - D. Evaluation
- (1 mark)
59. According to the joint IIA, AICPA and ACFE publication 'Managing the Business Risk of Fraud: A Practical Guide', who has responsibility for fraud risk?
- A. Internal audit
 - B. The board of directors
 - C. Employees at all levels
 - D. Executive management
- (1 mark)
60. Which of the following is **NOT** one of the components of COSO's Enterprise Risk Management-Integrated Framework?
- A. Control activity
 - B. Internal environment
 - C. Corporate governance
 - D. Risk assessment
- (1 mark)
61. The Audit and Risk Committee has oversight responsibilities over which of the following functions?
- A. Audit function
 - B. Accounting function
 - C. Risk management function
 - D. All the above
- (1 mark)

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62. Which of the following is **NOT** accurate in regard to what should be included in a fraud risk management program?
- A. On a case basis response plan
 - B. Measures and procedures to address internal control weaknesses that allowed the fraud to occur
 - C. Sanctions for fraud perpetrators
 - D. All the above
- (1 mark)
63. Which of the following statements is **NOT** accurate in regard to an organisation's fraud risk management program?
- A. It should have measures and procedures to address failures in the design or operation of anti-fraud controls
 - B. Unintentional non-compliance must be well-publicised and carried out in a consistent and firm manner
 - C. There should be a team, committee or an individual held responsible for monitoring compliance and responding to suspected incidences of non-compliance
 - D. All of the above
- (1 mark)
64. All the following are types of detective anti-fraud controls **EXCEPT**:
- A. Continuous audit techniques
 - B. Fraud awareness training
 - C. Surprise audits
 - D. Analytical data review
- (1 mark)
65. Which of the following is **NOT** a factor that influences the level of fraud risk faced by an organisation?
- A. The absence of internal controls
 - B. The geographic regions in which it operates
 - C. The ethics of its leadership team
 - D. All of the above
- (1 mark)
66. Communication by board of directors and senior management in regard to their dedication and commitment to the fraud risk management program should be issued through a formal statement. Which of the following is **NOT** correct regarding the formal statement?
- A. It is provided to all employees
 - B. It should not be provided to vendors, customers and consultants
 - C. It acknowledges the organisation's vulnerability to fraud
 - D. It is in writing
- (1 mark)
67. Which of the following is **NOT** accurate in regard to the fraud risk assessment process?
- A. The assessment team is expected to express a personal opinion at the end of the exercise
 - B. The assessment team is expected to make a subjective judgement in evaluation of the assessed risks
 - C. The fraud risk assessment team should not conduct a risk assessment in areas where they are biased because of previous engagement
 - D. All the above
- (1 mark)
68. Which of the following is **NOT** one of the eight principles of risk management provided by ISO 31000:2018?
- A. The risk management program is based on the effectiveness of the internal controls
 - B. The risk management program is structured and comprehensive
 - C. The risk management program takes human and cultural factors into account
 - D. The risk management program is dynamic and responsive to change
- (1 mark)
69. According to the COSO, which of the following is **NOT** one of the principles involved in the risk assessment process?
- A. Identification of potential fraud
 - B. Assessing changes that could significantly impact the internal control system
 - C. Conducting and occasional monitoring of the risk management strategy
 - D. All the above
- (1 mark)
70. The fraud risk assessment team should identify specific fraud risks related to each of the three categories of fraud, and also identify other fraud risks. Which of the following is **NOT** one of those fraud risks?
- A. Ability to rationalise engaging in fraud
 - B. Low personal integrity
 - C. Perceived situational pressure
 - D. High perception of detection
- (1 mark)

71. Which of the following is **NOT** one of the five components of the ERM Framework?
A. Governance and culture
B. Strategy and objective setting
C. Performance
D. None of the above (1 mark)
72. Which of the following is **NOT** accurate according to the joint COSO/ACFE Fraud Risk Management Guide and Managing the Business Risk of Fraud in regard to employees and management?
A. All must understand the organisation's ethical culture and the organisation's commitment to that culture
B. All must have a basic understanding of fraud and be aware of the red flags
C. All must understand their individual roles within the organisation's fraud risk management framework
D. None of the above (1 mark)
73. All the following are part of the five broad principles of fraud risk management. Which one is **NOT**?
A. Risk governance
B. Fraud risk assessment
C. Control environment
D. All the above (1 mark)
74. Which of the following is **NOT** accurate in regard to fraud risk management?
A. Risk management involves the identification of risks
B. Risk management involves prioritisation and treatment of risks
C. Risk management involves monitoring of risks that threaten an organisation's ability to provide value to its stakeholders
D. None of the above (1 mark)
75. Which of the following statements is **NOT** accurate?
A. "Identification" and "detection of fraud" can be used interchangeably
B. "Identification" and "detection of fraud" are not the same
C. Identification of fraud refers to red flags risks and risks of fraud
D. None of the above (1 mark)
76. The fraud risk assessment team should identify fraud risks on their:
A. Residual basis
B. Both inherent and residual basis
C. Impact basis
D. None of the above (1 mark)
77. Which of the following statements is **NOT** accurate?
A. "Risk tolerance" and "fraud risk appetite" can be used interchangeably
B. The management and board should have zero tolerance for fraud
C. The management and board should have low risk appetite for fraud
D. None of the above (1 mark)
78. Which of the following statements is **NOT** accurate in regard to a fraud risk register?
A. A risk register is a document used as a risk management tool
B. A risk register can also be used to fulfill regulatory compliance
C. A risk register is a repository for all risks identified
D. None of the above (1 mark)
79. Fraud risks are assessed based on several criteria. Which of the following is **NOT** one of them?
A. The likelihood that the risk will be exploited
B. The people
C. The effectiveness of the fraud related controls
D. None of the above (1 mark)
80. Which one of the following defines treatment for residual risks that require designing and implementing more fraud related controls?
A. Mitigation
B. Avoid the risk
C. Assume the risk
D. None of the above (1 mark)

81. The board of directors' responsibility for; risk oversight, establishing operating structures and defining the desired culture are examples of which of the following principles of COSO ERM 2017?
- A. Governance and culture
 - B. Review and revision
 - C. Information and communication
 - D. All the above
- (1 mark)
82. An effective fraud risk management program should **NOT** have which of the following characteristics?
- A. Informs the organisation that management will proactively conduct fraud detection activities
 - B. Enhances the organisation's positive public image and reputation
 - C. Promotes goodwill with other organisations and the general public
 - D. None of the above
- (1 mark)
83. The Fraud Risk Management (FRM 2016) Principle related to the organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity is related to which one of the following IC 2013 Components?
- A. Risk assessment
 - B. Control activities
 - C. Information and communication
 - D. None of the above
- (1 mark)
84. The fraud risk management (FRM 2016) Principle related to organisation, selecting, developing and deploying preventive and detective fraud controls is related to which one of the following IC 2013 Component?
- A. Control environment
 - B. Risk assessment
 - C. Control activities
 - D. All the above
- (1 mark)
85. Which of the following is **NOT** accurate about a fraud risk register?
- A. It is a tool that documents the detected frauds
 - B. It is a tool that is used to analyse the identified risks
 - C. It is a tool that is used to evaluate/score the risk
 - D. All the above
- (1 mark)
86. Which of the following is **NOT** accurate in regard to a fraud risk assessment framework?
- A. It is a report that is used to document the opinion of the fraud risk assessment
 - B. It is a report that is used to document the response plan
 - C. It is a report that is used to document individuals responsible for action
 - D. All the above
- (1 mark)
87. All parties in an organisation have some responsibility in fraud risk management. However, the level of responsibility differs. Which one of the following parties has the responsibility of evaluating the effectiveness of the fraud risk management program?
- A. Internal and external auditor
 - B. Ethics and compliance officer
 - C. Management
 - D. Board of directors
- (1 mark)
88. Skimming of cash or theft of inventory is a fraud risk pertaining to which of the following categories of occupational fraud?
- A. Kickbacks
 - B. Economic extortion
 - C. Asset misappropriation
 - D. None of the above
- (1 mark)
89. Which of the following is **NOT** one of the five broad principles of fraud risk management?
- A. Risk governance
 - B. Fraud risk assessment
 - C. Governance and culture
 - D. None of the above
- (1 mark)

90. Which of the following is one of the five broad principles of fraud risk management?
- A. Fraud investigation and corrective action
 - B. Control environment
 - C. Information and communication
 - D. All the above
- (1 mark)
91. Which of the following principles relates to the organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity and ethical values regarding managing fraud risk?
- A. Fraud Risk Governance Principle
 - B. Fraud Risk Assessment Principle
 - C. Fraud Control Activities
 - D. None of the above
- (1 mark)
92. Which of the following principles is related to the organisation performing comprehensive fraud risk assessments to identify specific fraud schemes and assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks?
- A. Fraud Risk Governance Principle
 - B. Fraud Control Activities
 - C. Fraud Investigation and Correction Action
 - D. None of the above
- (1 mark)
93. Which of the following principles relates to the organisation selecting, developing and deploying preventive and detective fraud control activities to mitigate the risk of fraud events occurring or not being detected in a timely manner?
- A. Fraud Risk Governance Principle
 - B. Fraud Investigation and Correction Action
 - C. Fraud Risk Management Monitoring Activities Principle
 - D. None of the above
- (1 mark)
94. Which of the following principles relates to the organisation establishing a communication process to obtain information about potential fraud and deploys a coordinated approach to investigations and corrective action to address fraud appropriately and in a timely manner?
- A. Fraud Risk Governance Principle
 - B. Fraud Investigation and Correction Action
 - C. Fraud Prevention Principle
 - D. None of the above
- (1 mark)
95. According to the publication “Managing the Business Risk of Fraud: A Practical Guide” by IIA, AICPA and ACFE, which of the following is **NOT** a type of a fraud risk management component?
- A. Affirmation process
 - B. Process evaluation and improvement (quality assurance)
 - C. Continuous monitoring
 - D. None of the above
- (1 mark)
96. Which of the following is **NOT** one of the 11 principles of risk management provided by ISO 31000:2018?
- A. The risk management program takes human and cultural factors into account
 - B. The risk management program is dynamic, iterative and responsive to change
 - C. The risk management program explicitly addresses uncertainty
 - D. The risk management program is rigid to ensure compliance
- (1 mark)
97. Which of the following is **NOT** an area, factor or consideration related to fraud investigation and corrective action principle?
- A. Establishing fraud investigation and response plan and protocols
 - B. Conducting investigations
 - C. Communicating investigation results
 - D. Considering internal and external factors
- (1 mark)
98. The management of ABC company wants to develop a formal risk management program using a risk management framework as a guideline. In developing the program, management should tailor the framework to the organisation’s needs. Which of the following is **NOT** an element that should be considered?
- A. Industry condition
 - B. Financial condition

- C. Organisation culture
 - D. None of the above (1 mark)
99. Sources of information gathered to assess fraud risks usually do not include:
- A. Analytical procedures
 - B. Inquiries of management
 - C. Communication among audit team members
 - D. Review of corporate charter and bylaws (1 mark)
100. According to Dr. Steve Albrecht, which of the following is **NOT** a root cause of fraud?
- A. Perceived opportunity
 - B. Rationalisation
 - C. Perceived situational pressure
 - D. Low personal integrity (1 mark)
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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 21 August 2023. Afternoon 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 term **BEST** describes oversight responsibilities of different parties for an organisation's direction, operations, and performance.
 - A. Management oversight
 - B. Corporate oversight
 - C. Corporate governance
 - D. None of the above(1 mark)

2. Which of the following is **NOT** an area, factor or consideration related to fraud risk governance scorecard?
 - A. Organisational commitment to fraud risk governance
 - B. Fraud risk governance support by the board of directors
 - C. Designing and implementing a comprehensive fraud risk policy
 - D. None of the above(1 mark)

3. Which of the following is **NOT** an area, factor or consideration related to fraud risk assessment principle?
 - A. Involving appropriate levels of management in the fraud risk assessment
 - B. Analysing internal and external factors
 - C. Identifying management override of controls as a risk
 - D. None of the above(1 mark)

4. Which of the following statements is **ACCURATE** in regard to a fraud risk assessment report?
 - A. The report should contain a detailed, comprehensive list of the assessment findings
 - B. The report should contain a detailed, comprehensive list of the information gathered
 - C. The results of the risk assessment should be reported in a complex framework
 - D. None of the above(1 mark)

5. Which of the following is **NOT** an area, factor or consideration related to fraud investigation and corrective principle?
 - A. Establishing fraud investigation and response plan and protocols
 - B. Conducting investigations
 - C. Communicating investigation results
 - D. Considering internal and external factors(1 mark)

6. Which of the following is **NOT** accurate in regard to a fraud risk assessment process?
 - A. The assessment team must be perceived as independent and objective by the organisation for the process to be effective
 - B. Management and auditors should share ownership of the process and accountability for its success
 - C. Conducting an effective fraud risk assessment requires the team to discuss risk factors only with risk and audit functions
 - D. None of the above(1 mark)

7. Which of the following statements is **ACCURATE** in regard to fraud risk assessment?
- A. The auditor should incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should ignore the results of a fraud risk assessment and conduct an independent fraud risk assessment
 - C. The auditor should conduct a comprehensive fraud risk assessment before conducting an audit
 - D. None of the above
- (1 mark)
8. Which of the following statements is **ACCURATE** in regard to a well-designed and effective system of internal controls?
- A. A well-designed and effective system of internal controls can eliminate fraud risks
 - B. A well-designed and effective system of internal controls can eliminate fraud
 - C. A well-designed and effective system of internal controls cannot eliminate fraud risks
 - D. None of the above
- (1 mark)
9. Which of the following statements is **NOT** accurate in regard to fraud risk assessment reporting frameworks?
- A. The ACFE and other fraud risk assessment frameworks are used as a guide to customise an organisation fraud risk assessment framework
 - B. Fraud risk assessment results be can reported in a micro framework
 - C. Fraud risk assessment results be can reported in a macro framework
 - D. None of the above
- (1 mark)
10. The fraud risk assessment team should consider which of the following fraud risks in addition to the specific risks related to each of the three categories of occupational fraud?
- A. Fraudulent financial reporting risk
 - B. Investment risks
 - C. Management override of controls
 - D. None of the above
- (1 mark)
11. Corporate espionage and hacking schemes are all fraud risks pertaining to which of the following fraud categories?
- A. Occupational fraud
 - B. Information technology
 - C. Internal fraud
 - D. None of the above
- (1 mark)
12. A fraud risk assessment report should reflect which of the following assessment team's opinion formed during the assessment engagement?
- A. Professional subjective opinion
 - B. Unqualified opinion
 - C. Qualified opinion
 - D. None of the above
- (1 mark)
13. Which of the following statements describes **BEST** practice of responding to high risk of fraud?
- A. Organisations should respond to high risks of fraud through mitigation, fraud audit and transferring the risk
 - B. Organisations should respond to high risks of fraud through mitigation
 - C. Organisations should respond to high risks of fraud through transferring the risk
 - D. All the above
- (1 mark)
14. Which of the following is **NOT** accurate in regard to effective fraud controls?
- A. They increase the perception of detection
 - B. They eliminate fraud risks
 - C. They balance preventive and detective controls
 - D. None of the above
- (1 mark)
15. Which of the following **BEST** describes management decision to accept a risk, rather than mitigate the risk?
- A. Mitigating the risk
 - B. Assuming the risk
 - C. Avoiding the risk
 - D. None of the above
- (1 mark)

16. If management finds that a risk, even when mitigated is still high and it is not absolutely necessary to take the risk, which of the following **BEST** describes how management should respond to that risk?
- A. Transferring the risk
 - B. Put preventive and detective controls
 - C. Avoid the risk
 - D. None of the above
- (1 mark)
17. There are various factors that influence the level of fraud risk faced by an organisation. Which of the following is **NOT** one of them?
- A. Absence of internal controls
 - B. The culture of the organisation
 - C. The ethics of its leadership team
 - D. All the above
- (1 mark)
18. The first step of a fraud risk assessment is identifying fraud risks. Which of the following **BEST** describes the identified risks?
- A. External risks
 - B. Inherent risks
 - C. Internal risks
 - D. None of the above
- (1 mark)
19. Fraud risks that remain after management has put in place fraud-related controls are referred to as _____.
- A. Inherent risk
 - B. Fraud risks
 - C. Risk appetite
 - D. None of the above
- (1 mark)
20. In identifying fraud risks that pertain to an organisation, the fraud risk assessment team should specifically **NOT** discuss which of the following as potential fraud risks?
- A. Information and technology risks
 - B. Reputation risks
 - C. High perception of detection
 - D. None of the above
- (1 mark)
21. Which of the following statements is **NOT** accurate in regard to ensuring that the fraud risk assessment is objective?
- A. The assessment should incorporate risk owners and employees
 - B. The assessment should be conducted by the organisation with the assistance of a consultant
 - C. The assessment should be conducted by the internal audit and risk functions only because they have the knowledge and skills in risks
 - D. None of the above
- (1 mark)
22. Fraud related controls, that are designed to stop fraud before it occurs and to detect when fraud has already occurred, are referred to as which of the following respectively?
- A. Detective, investigative controls
 - B. Detective and administration controls
 - C. Investigative, deterrent controls
 - D. None of the above
- (1 mark)
23. Which of the following parties would be the **MOST** appropriate sponsor for a fraud risk assessment?
- A. Management
 - B. The Board
 - C. The risk manager/director
 - D. None of the above
- (1 mark)
24. Which of the following is **NOT** a type of fraud detective control?
- A. Independent reconciliations
 - B. Physical inspections and counts
 - C. Fraud policies and procedures
 - D. Continuous audit techniques
- (1 mark)

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25. Which of the following statements is **NOT** accurate regarding the communication of the fraud risk assessment process?
- A. The communication should be in the form of a message from the risk assessment chair of the audit and risk committee, to command authority and support of the process.
 - B. The communication should be personalised, to enable all members of staff to embrace the process to make it more effective
 - C. The communication should be openly made throughout the business
 - D. The communication should be generalised, to enable all employees embrace the process. (1 mark)
26. Which of the following statements is **NOT** accurate in regard to how management should use the results of a fraud risk assessment?
- A. To promote awareness and education of the fraud risks, across the organisation
 - B. Hold action holders accountable for response
 - C. To promote awareness and education of fraud that pertains to the organisation.
 - D. None of the above (1 mark)
27. Which of the following techniques of gathering information during a fraud risk assessment enables the fraud risk assessor to observe the interactions among several employees as they collectively discuss a question asked by the assessor?
- A. Interviews
 - B. Survey
 - C. Hotline
 - D. None of the above (1 mark)
28. Which of the following is **NOT** accurate about the fraud risk assessment team?
- A. All team members should have a good knowledge of fraud risks and skills in risk assessment
 - B. Team members should have good skills for gathering and eliciting information
 - C. Team members should be objective
 - D. None of the above (1 mark)
29. Which of the following is **NOT** accurate in regard to anti – fraud controls and fraud risks?
- A. Risks that are present before mitigation are described as inherent risks
 - B. The objective of anti-fraud controls is to mitigate the inherent risks
 - C. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 - D. The objective of anti-fraud controls is to make the inherent fraud risk significantly smaller than the residual fraud risk (1 mark)
30. Which of the following members are **NOT** appropriate fraud risk assessment team members?
- A. The risk officers
 - B. The risk owners
 - C. Internal auditors
 - D. None of the above (1 mark)
31. During a fraud risk assessment, the assessment team should **NOT** consider which of the following?
- A. Impossibility for management overriding controls
 - B. The inherent limitations of internal controls
 - C. Internal controls that might have been eliminated due to restructuring or expansion
 - D. None of the above (1 mark)
32. All the following are true in regard to fraud risk assessment **EXCEPT**?
- A. The results should be used to effectively respond to fraud risk
 - B. It can help management look for fraud in residual high risk areas
 - C. It can help management significantly reduce fraud risks
 - D. None of the above (1 mark)
33. Which of the following is **NOT** a fraud risk?
- A. Low personal integrity
 - B. Low perception of detection
 - C. Culture of the organisation
 - D. None of the above (1 mark)

34. If an area is assessed as having a high fraud risk, which of the following procedures should management conduct?
A. Put specific detective measures to increase the perception of detection
B. Conduct a fraud identification procedure
C. Conduct a fraud audit
D. Conduct a special audit (1 mark)
35. Which of the following is **NOT** a recommended method of conducting a risk assessment?
A. Undercover
B. Survey
C. Reporting hotlines
D. Focus group (1 mark)
36. Fraud risk index is a macro fraud risk assessment. Which of the following is **NOT** a component of fraud risk index?
A. Environmental risk index
B. Culture Quotient risk index
C. Prevent and Detect index
D. Leadership index (1 mark)
37. Which of the following is **NOT** a preventive anti-fraud control?
A. Fraud awareness training
B. Segregation of duties
C. Continuous audit techniques
D. Hiring policies and procedures (1 mark)
38. Culture Quotient fraud index is an assessment of how the organisation and its people behave. Which of the following is **NOT** an element of quotient fraud index?
A. A fraud tolerance index
B. Entitlement fraud index
C. Notification index
D. None of the above (1 mark)
39. Which of the following is **ACCURATE** in regard to a fraud risk assessment?
A. The fraud risk assessment should include only auditor's views to ensure a holistic view of the organisation's fraud risks
B. Management and the auditor's views are sufficient and would also help to maintain independence and objectivity of the assessment process
C. The fraud risk assessment team can apply qualitative or quantitative measures when assessing the organisation's fraud risks
D. None of the above (1 mark)
40. Bribery to procure business is a fraud risk pertaining to which of the following category of occupational fraud?
A. Kickbacks
B. Economic extortion
C. Asset misappropriation
D. None of the above (1 mark)
41. A process aimed at proactively identifying an organisation's vulnerabilities to both internal and external fraud is referred to as _____.
A. A fraud risk examination
B. Fraud risk identification
C. Fraud risk assessment
D. None of the above (1 mark)
42. The fraud triangle has three elements that explain the root causes of fraud. Which of the following is **NOT** a root cause?
A. Opportunity
B. Rationalisation
C. Situational pressure
D. None of the above (1 mark)

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43. Theft of competitor trade secrets, anti-competitive practices, environmental violations and trade and customs regulations related to import and export are all fraud risks **BEST** described as:
- A. External fraud risks
 - B. Law and regulatory risks
 - C. Internal fraud risk
 - D. None of the above
- (1 mark)
44. The management of ABC company wants to develop a formal risk management program using a risk management framework as a guideline. In developing the program, management should tailor the framework to the organisation's needs. Which of the following is **NOT** an element that should be considered?
- A. Industry condition
 - B. Financial condition
 - C. Organisation culture
 - D. None of the above
- (1 mark)
45. Weighing an organisation's strategic, operational, reporting and compliance objectives against the organisation's risk appetite is **BEST** described as which one of the following?
- A. Risk assessment
 - B. Risk tolerance
 - C. Risk appetite
 - D. None of the above
- (1 mark)
46. According to COSO, a process that is designed to identify potential events that may affect the entity and manage risk to be within its risk appetite, in order to provide reasonable assurance regarding the achievement of the entity's objectives is referred to as _____.
- A. Fraud risk assessment
 - B. Internal controls
 - C. Fraud risk management
 - D. None of the above
- (1 mark)
47. Which of the following is **NOT** accurate with regard to the objective of the fraud risk management program?
- A. Management must mitigate the risks regardless of the cost, because the risks must be within acceptable level.
 - B. Management should express their risk tolerance according to the organisation's culture and operations
 - C. Management should consider previous incidences of fraud as an objective of a fraud risk management program
 - D. None of the above
- (1 mark)
48. Which of the following is **NOT** an objective of a fraud risk management program?
- A. Fraud risk assessment
 - B. Fraud response
 - C. Fraud prevention
 - D. None of the above
- (1 mark)
49. In defining the objectives of the fraud risk management program, management can decide to express its risk appetite using different measurements. Which of the following is **NOT** one of those measurements?
- A. Quantitatively
 - B. Qualitatively
 - C. Comparability
 - D. None of the above
- (1 mark)
50. The primary responsibility for designing, implementing, monitoring and improving the fraud risk management program rests with which party?
- A. Risk officer
 - B. Internal auditor
 - C. The board of directors
 - D. None of the above
- (1 mark)
51. Which of the following is **NOT** one of the responsibilities pertaining to fraud risk management?
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Evaluating the effectiveness of the internal control
 - D. None of the above
- (1 mark)

52. According to an organisation's fraud risk management program, which of the following statements is **NOT** accurate in regard to employees' responsibility?
- A. Employees must be aware of how non-compliance might create a risk of fraud
 - B. Employees must cooperate with investigators during investigations of suspected or alleged fraud incidents, in compliance with anti-fraud policy
 - C. Employees are not expected to assist in the design and implementation of fraud control activities, because it is the responsibility of management
 - D. None of the above
- (1 mark)
53. Different parties in an organisation have different levels of responsibility for fraud. Which of the following parties is responsible for developing policies for fraud risk management?
- A. The Internal Audit department
 - B. The Management
 - C. The risk department
 - D. None of the above
- (1 mark)
54. The audit committee has specific responsibilities for fraud risk management. Which of the following is one such responsibility?
- A. Receiving regular reports on the status of reported or alleged fraud
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk management program
 - D. None of the above
- (1 mark)
55. Risk management includes a number of activities in respect to risks that threaten an organisation. Which of the following is **NOT** one of those activities?
- A. Monitoring
 - B. Identification
 - C. Treatment
 - D. None of the above
- (1 mark)
56. According to the joint IIA, AICPA, and ACFE publication 'Managing the Business Risk of Fraud: A Practical Guide', who has the ultimate responsibility for fraud risk?
- A. Internal Audit
 - B. The Board of Directors
 - C. Employees at all levels
 - D. None of the above
- (1 mark)
57. Which of the following is **NOT** a component of COSO's Enterprise Risk Management—Integrated Framework?
- A. Control activity
 - B. Internal environment
 - C. Objective settings
 - D. Fraud risk oversight
- (1 mark)
58. Which of the following is a function where the audit committee has an oversight responsibility?
- A. Procurement function
 - B. Operations function
 - C. Risk management
 - D. None of the above
- (1 mark)
59. Which of the following statements is **NOT** accurate in regard to what should be included in a fraud risk management program?
- A. A response plan for incidences of fraud
 - B. Measures and procedures to address internal control weaknesses that allowed the fraud to occur
 - C. Sanctions for fraud perpetrators
 - D. None of the above
- (1 mark)
60. Which of the following statements is **NOT** accurate in regard to an organisation's fraud risk management program?
- A. It should have measures and procedures to address failures in the design or operation of anti-fraud controls
 - B. Intentional non-compliance must be well-publicised and carried out in a consistent and firm manner
 - C. There should be a team, committee or an individual held responsible for monitoring compliance and responding to suspected incidences of non-compliance
 - D. None of the above
- (1 mark)

61. All the following are types of detective anti-fraud controls **EXCEPT**:
- A. Fraud awareness and education
 - B. Reporting programs
 - C. Surprise audits
 - D. Analytical data review
- (1 mark)
62. According to Dr. Steve Albretch, which of the following is **NOT** a root cause of fraud?
- A. Perceived opportunity
 - B. Rationalisation
 - C. Perceived situational pressure
 - D. None of the above
- (1 mark)
63. Communication by board of directors and senior management in regard to their dedication and commitment to the fraud risk management program should be issued through a formal statement. Which of the following statement is **NOT** accurate?
- A. The statement should be provided to all employees
 - B. The statement should be provided to vendors, customers and consultants
 - C. The statement should acknowledge the organisation's vulnerability to fraud
 - D. None of the above
- (1 mark)
64. Which of the following statements is **NOT** accurate in regard to fraud risk assessment process?
- A. The assessment team is not expected to express a personal opinion based on results the exercise
 - B. The assessment team is expected to make an objective judgement in regard to the residual risk
 - C. Fraud risk assessment team should ensure that they will be perceived as objective
 - D. None of the above
- (1 mark)
65. According to the COSO, which of the following is **NOT** a principle involved in the risk assessment process?
- A. Identification of potential fraud
 - B. Assessing changes that could significantly impact the internal control system
 - C. Detection of fraud risks
 - D. None of the above
- (1 mark)
66. The fraud risk assessment team should identify specific fraud risks related to each of the three categories of fraud and also identify other fraud risks. Which of the following is **NOT** one of those fraud risks?
- A. Justification for engaging in fraud
 - B. Low perception of detection
 - C. Perceived situational pressure
 - D. Absence of internal controls
- (1 mark)
67. Which of the following statements is **NOT** a component of the ERM Framework?
- A. Governance and culture
 - B. Strategy and objective setting
 - C. Performance
 - D. None of the above
- (1 mark)
68. Which of the following statements is **NOT** accurate according to the joint COSO/ACFE Fraud Risk Management Guide and Managing the Business Risk of Fraud in regard to employees and management?
- A. All employees must understand the organisation's ethical culture and the organisation's commitment to that culture.
 - B. Only risk function and auditors should have good knowledge of fraud risks and red flags
 - C. All employees must understand their individual roles within the organisation's fraud risk management framework
 - D. None of the above
- (1 mark)
69. Which of the following is **NOT** one of the five broad principles of fraud risk management?
- A. Risk governance
 - B. Fraud risk assessment
 - C. Control environment
 - D. Monitoring of fraud risk management program
- (1 mark)

70. Which of the following is **NOT** accurate in regard to fraud risk management?
- A. Risk management involves the deterrence of risks
 - B. Risk management involves prioritization and treatment of risks
 - C. Risk management involves monitoring of risks that threaten an organisation's ability to provide value to its stakeholders
 - D. None of the above
- (1 mark)
71. Which of the following statements in relation to fraud identification and detection is **ACCURATE**?
- A. Identification and deterrence of fraud terms can be used interchangeably
 - B. Identification and detection of fraud terms can be used interchangeably
 - C. Identification of fraud is the same as auditing for fraud
 - D. Identification and detection of fraud terms cannot be used interchangeably
- (1 mark)
72. The fraud risk assessment team should identify fraud risks on what basis?
- A. Residual basis
 - B. Both inherent and residual basis
 - C. Inherent basis
 - D. None of the above
- (1 mark)
73. Which of the following statements is **ACCURATE** in regard to fraud risk appetite?
- A. High tolerance for fraud and risk appetite terms can be used interchangeably
 - B. The management and board should have Zero tolerance for fraud and fraud risk
 - C. The management and board should not have Zero fraud risk appetite
 - D. None of the above
- (1 mark)
74. Which of the following statements is **NOT** accurate in regard to a fraud risk register?
- A. A risk register is the same as risk assessment framework
 - B. A risk register can also be used to fulfill regulatory compliance
 - C. A risk register is a repository for all risks identified
 - D. None of the above
- (1 mark)
75. Fraud risks are assessed based on several criteria. Which of the following is **NOT** one of them?
- A. The likelihood that the risk will materialize
 - B. The impact if the risk materialized
 - C. The effectiveness of the fraud related controls
 - D. The enhancement of the internal controls
- (1 mark)
76. Which of the following defines treatment for residual risks that require designing and implementing more preventive and detective controls?
- A. Transferring the risk
 - B. Avoid the risk
 - C. Mitigation of risks
 - D. None of the above
- (1 mark)
77. Which of the following is **NOT** a principle of COSO ERM 2017?
- A. Strategy and objective setting
 - B. Review and revision
 - C. Information and communication
 - D. None of the above
- (1 mark)
78. An effective fraud risk management program does **NOT** have which of the following components?
- A. Informs the organisation that management will proactively conduct fraud detection activities
 - B. Enhances the organisation's positive public image and reputation
 - C. Promotes goodwill with other organisations and the general public
 - D. None of the above
- (1 mark)
79. The Fraud Risk Management Principle related to organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity is related to which of the following COSO integrated control framework components?
- A. Fraud risk assessment
 - B. Control activities
 - C. Information and communication
 - D. None of the above
- (1 mark)

80. The Fraud Risk Management Principle related to organisation, selecting, developing and deploying preventive and detective fraud controls is related to which of the following COSO integrated control framework?
- A. Control environment
 - B. Risk assessment
 - C. Control activities principle
 - D. None of the above
- (1 mark)
81. Which of the following statements **BEST** describes a fraud risk register?
- A. Is a tool that documents the detected frauds
 - B. Is a tool that is used to list detected risks
 - C. It is a tool that is used to document red flags identified
 - D. None of the above
- (1 mark)
82. Which of the following is **NOT** accurate in regard to a fraud risk assessment framework?
- A. It is a comprehensive report of the assessment team's findings
 - B. It is a report that is used to document response plan
 - C. It is a report that is used to document individuals responsible for action
 - D. None of the above
- (1 mark)
83. All parties in an organisation have some responsibility in fraud risk management. However, the level of responsibility differs. Which one of the following parties has the responsibility for evaluating the effectiveness of the fraud risk management program?
- A. Ethics and compliance officer
 - B. Management
 - C. Internal auditors
 - D. None of the above
- (1 mark)
84. Embezzlement or theft of inventory is a fraud risk pertaining to which of the following categories of occupational fraud?
- A. Kickbacks
 - B. Economic extortion
 - C. Corruption
 - D. Asset misappropriation
- (1 mark)
85. When conducting risk identification, the fraud risk assessment team should specifically **NOT** discuss which of the following fraud risks?
- A. The risk of management overriding controls
 - B. Reputational risk
 - C. Information and technology risk
 - D. None of the above
- (1 mark)
86. Which of the following is **NOT** one of the five broad principles of fraud risk management?
- A. Risk governance
 - B. Fraud risk assessment
 - C. Fraud risk oversight
 - D. None of the above
- (1 mark)
87. Which of the following is one of the five broad principles of fraud risk management?
- A. Monitoring
 - B. Control environment
 - C. Information and communication
 - D. Correction and investigation
- (1 mark)
88. Which of the following principles relates to an organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity and ethical values regarding managing fraud risk.
- A. Control environment
 - B. Fraud Risk Assessment Principle
 - C. Fraud risk governance
 - D. Fraud Control Activities
- (1 mark)

89. Which of the following principles is related to the organisation performing comprehensive fraud risk assessments to identify specific fraud schemes and, assess their likelihood and significance, evaluate existing fraud control activities and implement actions to mitigate residual fraud risks.
- A. Fraud Risk Governance Principle
 - B. Fraud Risk Assessment
 - C. Fraud Investigation and Correction Action
 - D. None of the above
- (1 mark)
90. Which of the following principles relate to the organisation selecting, developing and deploying preventive and detective fraud control activities to mitigate the risk of fraud events occurring or not being detected in a timely manner.
- A. Fraud Risk Governance Principle
 - B. Fraud risk assessment
 - C. Fraud Risk Management Monitoring Activities Principle
 - D. None of the above
- (1 mark)
91. Which of the following is a fraud risk management principle related to the organisation establishing a communication process to obtain information about potential fraud and deploys a coordinated approach to investigations and corrective action to address fraud appropriately and in a timely manner?
- A. Fraud Risk Governance Principle
 - B. Correction and investigation
 - C. Fraud Risk Assessment Principle
 - D. None of the above
- (1 mark)
92. According to 'Managing the Business Risk of Fraud', which of the following is **NOT** a type of a fraud risk management component?
- A. Affirmation process
 - B. Process evaluation and improvement (quality assurance)
 - C. Continuous monitoring
 - D. The process should be rigid enough to effectively support the program
- (1 mark)
93. Which of the following is **NOT** a principle for risk management provided by ISO 31000: 2018?
- A. Is integrated into high risk activities
 - B. Is customized and proportionate to the organisation's operations and objectives
 - C. Is inclusive and provides for appropriate and timely consideration of stakeholders' knowledge, views and perceptions
 - D. None of the above
- (1 mark)
94. Which of the following statements is **NOT** accurate in regard to management's responsibility for fraud prevention?
- A. Management is responsible for the design and implementation of fraud related controls
 - B. Management is responsible for providing oversight over the design and implementation of fraud related controls
 - C. Management must set the right tone at the top and monitor the company culture to ensure it appropriately supports the organisation's fraud prevention
 - D. None of the above
- (1 mark)
95. Which of the following statements is **NOT** accurate in regard to responsibilities for fraud risk management?
- A. Management has the primary responsibility for managing fraud risks
 - B. Board of directors has the primary responsibility for developing strategy and policies for managing fraud risks
 - C. The risk function has the primary responsibility for managing fraud risks
 - D. None of the above
- (1 mark)
96. A Fraud Risk Management Program, like any other program must have objectives, therefore management must balance some factors in determining the program's objectives: Which of the following is **NOT** an objective of the fraud risk management program?
- A. Management's risk tolerance
 - B. The investment in preventive and detective controls
 - C. Investigations of frauds that are material in nature
 - D. None of the above
- (1 mark)

97. Culture Quotient is an assessment of how the organisation and its people behave or are perceived to behave. Which of the following is **NOT** a component of assessing culture Quotient?
- A. Tolerance index
 - B. Entitlement index
 - C. Notification index
 - D. Conflict of interest index
- (1 mark)
98. Which of the following statements **BEST** describes the Tolerance index?
- A. It is an assessment of an organisation's tolerance for fraudulent and corrupt behavior
 - B. It is an assessment of an organisation's tolerance for fraud risks
 - C. It is an assessment of an organisation's effectiveness of anti-fraud controls
 - D. None of the above
- (1 mark)
99. Which of the following statements is **NOT** correct in regard to recommendations for vendor due diligence procedures?
- A. An organisation should request that new contractors complete a questionnaire about their background immediately after signing a contract with them
 - B. An organisation should include a clause in the contract requiring the contractor to report any instances of misconduct before entering into an agreement with them
 - C. An organisation should ensure that vendors have their own ethics and compliance program before engaging in any transactions with the contractor
 - D. An organisation should ensure that it includes reputational risk in its due diligence process.
- (1 mark)
100. According to rational choice theory, which of the following statements is **NOT** accurate in regard to fraud deterrence?
- A. Reducing opportunities to commit crime
 - B. Increasing personal risk to the perpetrator
 - C. Reducing personal risk to the perpetrator
 - D. All the above
- (1 mark)
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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 24 April 2023. Afternoon 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 is **NOT** an area, factor or consideration related to fraud risk governance scorecard?
 - A. Organisational commitment to fraud risk governance
 - B. Fraud risk governance support by the board of directors
 - C. Establishing a comprehensive fraud risk policy
 - D. None of the above

2. Which of the following is **NOT** an area, factor or consideration related to fraud risk assessment scorecard?
 - A. Involving appropriate levels of management in the fraud risk assessment
 - B. Analysing internal and external factors
 - C. Identifying management override of controls as a risk only, if there is inadequate oversight over management
 - D. Considering various types of fraud

3. Which of the following statements is **ACCURATE** in regard to a fraud risk assessment report?
 - A. The report should contain a detailed, comprehensive list of the assessment findings
 - B. The report should contain a detailed, comprehensive list of the information gathered
 - C. The results of the risk assessment should be reported in a simple framework
 - D. None of the above

4. Which of the following is **NOT** an area, factor or consideration related to fraud control principle scorecard?
 - A. Promoting fraud deterrence through preventive and detective controls
 - B. Integrating the preventive and detective controls with the fraud risk assessment
 - C. Considering organisational specific factors relevant business processes
 - D. Analysing internal and external factors

5. Which of the following is **NOT** an area, factor or consideration related to fraud investigation and corrective action scorecard?
 - A. Establishing fraud investigation and response plan and protocols
 - B. Conducting investigations
 - C. Communicating investigation results
 - D. Utilising a combination of fraud control activities

6. Which of the following is **NOT** accurate in regard to a fraud risk assessment process?
 - A. The assessment team must be perceived as independent and objective by the organisation for the process to be effective
 - B. Management and auditors should share ownership of the process and accountability for its success
 - C. Conducting an effective fraud risk assessment requires thinking like a fraudster
 - D. None of the above

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7. Which of the following statements is **ACCURATE** in regard to fraud risk assessment?
- A. The auditor should not incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should ignore the results of a fraud risk assessment and conduct an independent fraud risk assessment
 - C. The auditor should conduct a comprehensive fraud risk assessment before conducting an audit
 - D. None of the above
8. A well-designed and effective system of internal controls can:
- A. Eliminate risk of fraud
 - B. Reduce risks of fraud to be within the organisation's risk appetite
 - C. Eliminate fraud
 - D. All the above
9. Which of the following statements is **ACCURATE** in regard to fraud risk assessment reporting frameworks?
- A. Fraud risk assessment frameworks have been developed to fit any organisation.
 - B. Fraud risk assessment results can be reported in a micro or macro framework
 - C. Fraud risk assessment results can only be reported in a standard framework
 - D. None of the above
10. The fraud risk assessment team, should **NOT** consider which of the following fraud risks in addition to the specific risks related to each of the three categories of occupational fraud:
- A. Reputation risk
 - B. Law and regulatory risk
 - C. Information and technology risk
 - D. None of the above
11. Corporate espionage, and hacking schemes are all fraud risks pertaining to which of the following fraud categories?
- A. Occupational fraud
 - B. External fraud
 - C. Information technology
 - D. None of the above
12. A fraud risk assessment report should reflect which of the following assessment team's opinion formed during the assessment engagement:
- A. Professional subjective opinion
 - B. Expert opinion
 - C. Qualified opinion
 - D. None of the above
13. A Forensic auditor can only evaluate an area as high risk, only if the assessment has found which of the following?
- A. The residual risk is high
 - B. The inherent risk is high
 - C. There have been previous incidences
 - D. All the above
14. Which of the following is **NOT** accurate in regard to an effective internal control system?
- A. It reduces the perception of detection
 - B. It reduces fraud risks
 - C. It balances preventive and detective controls
 - D. All the above
15. Which of the following **BEST** describes management decision to accept a risk, rather than mitigate the risk?
- A. Mitigating the risk
 - B. Transferring the risk
 - C. Avoiding the risk
 - D. None of the above
16. If management decides to mitigate risks, which of the following **BEST** describes what management should do?
- A. Transferring the risk
 - B. Put preventive and detective controls
 - C. Assuming the risk
 - D. None of the above

17. There are various factors that influence the level of fraud risk faced by an organisation. Which of the following is **NOT** one of them?
- A. The effectiveness of its internal controls
 - B. The culture of the organisation
 - C. The ethics of its leadership team
 - D. None of the above
18. Fraud risks that exist before management has put in place fraud-related controls are referred to as:
- A. External risks
 - B. Residual risks
 - C. Internal risks
 - D. None of the above
19. Fraud risks that remain after management has put in place fraud-related controls are referred to as:
- A. Inherent risk
 - B. Fraud risks
 - C. Residual risks
 - D. None of the above
20. In identifying fraud risks that pertain to an organisation, the fraud risk assessment team should specifically **NOT** discuss which of the following as potential fraud risks?
- A. Management override of controls
 - B. Collusion
 - C. Low perception of detection
 - D. None of the above
21. Which of the following statement is **ACCURATE** in regard to ensuring the objectivity of the assessment team?
- A. The assessment should be conducted by a consultant
 - B. The assessment should be conducted by the organisation with the assistance of a consultant
 - C. The assessment should be conducted by the risk department only
 - D. None of the above
22. Controls that are designed to stop fraud before it occurs, and to detect when fraud has already occurred, are referred to as which of the following respectively?
- A. Detective, investigative controls
 - B. Preventive and detective controls
 - C. Investigative, deterrent controls
 - D. None of the above
23. Which of the following individuals or groups would be the **MOST** appropriate sponsor for a fraud risk assessment?
- A. An Auditor
 - B. The Board
 - C. The CEO
 - D. The audit committee
24. Detective anti-fraud controls include all of the following **EXCEPT**:
- A. Reducing pressure
 - B. Proactive data analysis techniques
 - C. Fraud reporting hotline
 - D. Continuous detection controls
25. Which of the following is **NOT** accurate regarding the communication of the fraud risk assessment process?
- A. The communications should be in the form of a message from the risk assessment sponsor who must be a senior person who can command authority
 - B. The communication should be personalised, to enable all members of staff to embrace the process to make it more effective
 - C. The communication should be openly communicated throughout the business
 - D. None of the above

26. After the conclusion of the fraud risk assessment process, which of the following is **NOT** accurate in regard to how management should use the results
- A. Use the results to promote awareness and education across the organisation
 - B. Evaluate progress against agreed action plans
 - C. Use the assessment results to monitor the performance of key internal controls
 - D. None of the above
27. Which of the following techniques for gathering information during a fraud risk assessment enables the fraud risk assessor to observe the interactions among several employees as they collectively discuss a question or issue?
- A. Interviews
 - B. Survey
 - C. Hotline
 - D. Focus group
28. Which of the following is **NOT** accurate about the fraud risk assessment team?
- A. Team members should have a good understanding of fraud, diverse knowledge, and skills in risk assessment.
 - B. Team members should have advanced education in risk management
 - C. Team members should be individuals with experience and good skills for gathering and eliciting information
 - D. None of the above
29. Which of the following is **NOT** accurate in regard to anti – fraud controls and fraud risks?
- A. Risks that are present before mitigation are described as inherent risks
 - B. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
 - C. The objective of anti-fraud controls is to mitigate the inherent fraud risks
 - D. The objective of anti-fraud controls is to make the inherent fraud risk significantly smaller than the residual fraud risk
30. Which of the following members are **NOT** appropriate fraud risk assessment team members?
- A. The risk officers
 - B. External auditors
 - C. Internal auditors
 - D. None of the above
31. During a fraud risk assessment, the assessment team should **NOT** consider which of the following:
- A. Possibility for collusion
 - B. The inherent limitations of internal controls
 - C. Internal controls that might have been eliminated due to restructuring or expansion efforts
 - D. None of the above
32. All the following are true in regard to fraud risk assessment **EXCEPT**?
- A. The results should be used to develop plans to mitigate fraud risk
 - B. It can help management identify individuals and departments which put the organisation at the greatest risk of fraud
 - C. It can help management eliminate fraud risks
 - D. All the above
33. Which of the following is **NOT** a fraud risk?
- A. Unfair personnel practices
 - B. Management's behaviour
 - C. Incapable guardians
 - D. None of the above
34. If an area is assessed as having a high fraud risk, which of the following procedures should management conduct?
- A. Put specific detective measures to increase the perception of detection
 - B. Conduct a fraud detection audit
 - C. Transfer some risks
 - D. None of the above

35. The fraud risk assessment process should be conducted through which of the following methods?
- A. Undercover
 - B. Overt
 - C. Open
 - D. Interviews
36. The response to a risk identified during a fraud risk assessment, if management decides to eliminate an activity or a product because the control measures required to mitigate the risk are too costly, is referred to as which one of the following?
- A. Assuming the risk
 - B. Mitigating the risk
 - C. Avoiding the risk
 - D. Transferring the risk
37. Auditors should evaluate whether the organisation is appropriately managing the moderate-to-high fraud risks identified during the fraud risk assessment. Which one of the following evaluation methods should the auditor use?
- A. Identifying within the moderate-to-high-risk areas whether there is a moderate-to-high risk of management override of internal controls
 - B. Designing and performing tests to evaluate whether the identified controls are operating effectively and efficiently
 - C. Identifying and mapping the existing controls that pertain to the low-to-high fraud risks identified in the fraud risk
 - D. All of the above
38. Preventive anti-fraud controls include all of the following **EXCEPT**:
- A. Fraud awareness training
 - B. Segregation of duties
 - C. Hiring policies and procedures
 - D. None of the above
39. In response to a risk identified during a fraud risk assessment, if management decides to purchase an insurance policy to help protect the company against fraud risk associated with employee's embezzlement, which one of the following **BEST** describes this type of response
- A. Avoiding the risk
 - B. Mitigating the risk
 - C. Transferring the risk
 - D. None of the above
40. Which of the following is **ACCURATE** in regard to a fraud risk assessment?
- A. The fraud risk assessment should include only management and auditor's views to ensure a holistic view of the organisation's fraud risks
 - B. The views of the management and the auditor are sufficient and would also help to maintain independence and objectivity of the assessment process
 - C. The fraud risk assessment team should apply only qualitative measures when assessing the organisation's fraud risks
 - D. None of the above
41. Payment of bribes to procure business is a fraud risk pertaining to which of the following category of occupational fraud?
- A. Corruption
 - B. Kickbacks
 - C. Economic extortion
 - D. Asset misappropriation
42. A process aimed at proactively identifying an organisation's vulnerabilities to both internal and external fraud is referred to as:
- A. A fraud risk examination
 - B. Fraud risk identification
 - C. Fraud risk detection
 - D. None of the above

43. The fraud triangle has three elements that explain the root causes of fraud. Which of the following **BEST** describe those root causes?
- A. Asset misappropriation risks
 - B. Corruption
 - C. Environmental risks
 - D. None of the above
44. Theft of competitor trade secrets, anti-competitive practices, environmental violations, and trade and customs regulations related to import and export are all fraud risks **BEST** described as:
- A. External fraud risks
 - B. Asset misappropriation risk
 - C. Internal fraud risk
 - D. None of the above
45. The management of ABC company wants to develop a formal risk management program using a risk management framework as a guideline. In developing the program, management should tailor the framework to the organisation's:
- A. Market condition
 - B. Business environment
 - C. Organisation culture
 - D. None of the above
46. Weighing an organisation's strategic, operational, reporting, and compliance objectives against the organisation's risk appetite is **BEST** described as which one of the following?
- A. Risk management
 - B. Risk evaluation
 - C. Risk treatment
 - D. None of the above
47. According to COSO, a process that is designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, in order to provide reasonable assurance regarding the achievement of the entity's objectives is referred to as:
- A. Fraud risk assessment
 - B. Fraud prevention
 - C. Fraud risk management
 - D. None of the above
48. Which of the following is **NOT** accurate with regard to the objective of the fraud risk management program?
- A. Management must do a cost and benefit analysis of the anti-fraud controls against the amount of risk it is willing to accept
 - B. Management should express risk appetite according to the organisation's culture and operations
 - C. Management should consider previous incidences of fraud as an objective of a fraud risk management program
 - D. None of the above
49. Which of the following is **NOT** a component an which an organisation should include in its fraud risk management program?
- A. Disclosure of conflict of interest
 - B. Quality assurance activities
 - C. Whistleblower protection policies
 - D. None of the above
50. Which of the following is **NOT** an objective of a fraud risk management program?
- A. Fraud deterrence
 - B. Fraud response
 - C. Fraud prevention
 - D. None of the above
51. In defining the objectives of the fraud risk management program, management can decide to express its risk appetite using different measurements. Which of the following is **NOT** one of those measurements?
- A. Quantitatively
 - B. Qualitatively
 - C. Materiality
 - D. None of the above

52. The primary responsibility for designing, implementing, monitoring, and improving the fraud risk management program rests with which party?
- A. Risk Officer
 - B. Internal Auditor
 - C. The Board of Directors
 - D. Management
53. Which of the following is **NOT** one of the board of directors' responsibilities pertaining to fraud risk management?
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Designing and implementing fraud-related controls
 - D. None of the above
54. According to an organisation's fraud risk management program, which of the following statement is **NOT** accurate in regard to employee's responsibility?
- A. Employees must be aware of how non-compliance might create a risk of fraud
 - B. Employees must cooperate with investigators during investigations of suspected or alleged fraud incidents, in compliance with anti-fraud policy
 - C. Employees are expected to assist in the design and implementation of fraud control activities
 - D. None of the above
55. Different parties in an organisation have different levels of responsibility for fraud. Which of the following parties is responsible for developing a strategy to assess and manage fraud risks to be within the organisation's risk appetite?
- A. The Internal Audit Department
 - B. The Management
 - C. The Board of Directors
 - D. None of the above
56. The audit committee has specific responsibilities for fraud risk management. Which of the following is one of those responsibilities?
- A. Receiving annual reports on the status of reported or alleged fraud
 - B. Monitoring and proactively improving the fraud risk management program
 - C. Performing and regularly updating the fraud risk management program
 - D. None of the above
57. Risk management includes a number of activities in respect to risks that threaten an organisation. Which of the following is **NOT** one of those activities?
- A. Monitoring
 - B. Identification
 - C. Treatment
 - D. Detection
58. According to the joint IIA, AICPA, and ACFE publication 'Managing the Business Risk of Fraud: A Practical Guide', who has the ultimate responsibility for fraud risk?
- A. Internal Audit
 - B. The Board of Directors
 - C. Employees at all levels
 - D. Management
59. Which of the following is **NOT** one of the components of COSO's Enterprise Risk Management-Integrated Framework?
- A. Control activity
 - B. Internal environment
 - C. Objective settings
 - D. None of the above
60. Which of the following is **NOT** a function, where the audit committee has an oversight responsibility?
- A. Operations function
 - B. Accounting function
 - C. Risk management function
 - D. None of the above

61. Which of the following is **NOT** accurate in regard to what should be included in a fraud risk management program?
- A. On a case basis response plan
 - B. Measures and procedures to address internal control weaknesses that allowed the fraud to occur
 - C. Sanctions for fraud perpetrators
 - D. All the above
62. Which of the following statements is **NOT** accurate in regard to an organisation's fraud risk management program?
- A. It should have measures and procedures to address failures in the design or operation of anti-fraud controls
 - B. Unintentional non-compliance must be well-publicised and carried out in a consistent and firm manner
 - C. There should be a team, committee or an individual held responsible for monitoring compliance and responding to suspected incidences of non-compliance
 - D. All of the above
63. All the following are types of detective anti-fraud controls **EXCEPT**:
- A. Continuous audit techniques
 - B. Ethic performance goals
 - C. Surprise audits
 - D. Analytical data review
64. According to Dr. Donald Cressey, which of the following is **NOT** a root cause of fraud?
- A. The nature of the business
 - B. The geographic regions in which it operates
 - C. The absence of internal controls
 - D. None of the above
65. Communication by board of directors and senior management in regard to their dedication and commitment to the fraud risk management program should be issued through a formal statement. Which of the following statements is **NOT** accurate?
- A. The statement should be provided to all employees
 - B. The statement should not be provided to vendors, customers and consultants
 - C. The statement should acknowledge the organisation's vulnerability to fraud
 - D. None of the above
66. Which of the following is **NOT** accurate in regard to the fraud risk assessment process?
- A. The assessment team is expected to express a personal opinion based on results the exercise
 - B. The assessment team is expected to make a subjective judgement in regard to the residual risk
 - C. Fraud risk assessment team should not conduct a risk assessment in areas where employees will view them as not objective
 - D. None of the above
67. According to the COSO, which of the following is **NOT** a principle involved in the risk assessment process?
- A. Identification of potential fraud
 - B. Assessing changes that could significantly impact the internal control system
 - C. Monitoring of the risk management strategy
 - D. None of the above
68. The fraud risk assessment team should identify specific fraud risks related to each of the three categories of fraud, and also identify other fraud risks. Which of the following is **NOT** one of those fraud risks?
- A. Justification for engaging in fraud
 - B. Low perception of detection
 - C. Perceived situational pressure
 - D. None of the above
69. Which of the following is **NOT** one of the five components of the ERM Framework?
- A. Governance and culture
 - B. Strategy and objective setting
 - C. Performance
 - D. Control activities

70. Which of the following is **NOT** correct according to the joint COSO/ACFE Fraud Risk Management Guide and Managing the Business Risk of Fraud in regard to employees and management?
- A. All employees must understand the organisation's ethical culture and the organisation's commitment to that culture.
 - B. Only management and auditors should have good knowledge of fraud risks and red flags
 - C. All employees must understand their individual roles within the organisation's fraud risk management framework
 - D. None of the above
71. Which of the following statements is **NOT** true?
- A. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error
 - B. The risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud
 - C. The discovery of a material misstatement of the financial statements resulting from fraud does not, in itself, indicate a failure to comply with ISAs
 - D. Discovery of fraudulent transactions depends on the preparation and skill of the auditors.
72. Which of the following statements is **NOT** accurate in regard to fraud risk management?
- A. Risk management involves the detection of risks
 - B. Risk management involves prioritisation and treatment of risks
 - C. Risk management involves monitoring of risks that threaten an organisation's ability to provide value to its stakeholders
 - D. None of the above
73. Which of the following statements, in relation to fraud identification and detection is **ACCURATE**?
- A. Identification and detection of fraud are similar but not identical
 - B. The terms "identification" and "detection" of fraud can be used interchangeably
 - C. Identification of fraud is the same as auditing for fraud
 - D. None of the above
74. The fraud risk assessment team should identify fraud risks on what basis?
- A. Residual basis
 - B. Both inherent and residual basis
 - C. Inherent basis
 - D. None of the above
75. Which of the following statements is **ACCURATE** in regard to fraud risk appetite?
- A. High tolerance for fraud and to risk tolerance terminology can be used interchangeably
 - B. The management and board should have Zero tolerance for fraud, but no Tolerance for fraud risk
 - C. The management and board should not have any risk appetite under any circumstances
 - D. None of the above
76. Which of the following statements is **NOT** accurate in regard to a fraud risk register?
- A. A risk register is a document used as a risk management tool
 - B. A risk register can also be used to fulfill regulatory compliance
 - C. A risk register is a repository for all risks identified
 - D. None of the above
77. Fraud risks are assessed based on several criteria. Which of the following is **NOT** one of them?
- A. The likelihood that the risk will materialise
 - B. The impact if the risk materialised
 - C. The effectiveness of the fraud related controls
 - D. The strength of the internal controls
78. Which one of the following defines treatment for residual risks that require designing and implementing more fraud related controls?
- A. Transferring the risk
 - B. Avoid the risk
 - C. Assume the risk
 - D. None of the above

79. The board of director's, responsibility for, risk oversight, establishing operating structures, and defining the desired culture, are examples of which of the following principles of COSO ERM 2017?
- A. Strategy and objective setting
 - B. Review and revision
 - C. Information and communication
 - D. None of the above
80. An effective fraud risk management program does **NOT** have which one of the following components?
- A. Inform the organisation that management will proactively conduct fraud detection activities
 - B. Enhances the organisation's positive public image and reputation
 - C. Promotes goodwill with other organisations and the general public
 - D. None of the above
81. The Fraud Risk Management Principle related to organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity is related to which one of the following COSO integrated control framework components?
- A. Fraud risk governance
 - B. Control activities
 - C. Information and communication
 - D. None of the above
82. The Fraud Risk Management Principle related to organisation, selecting, developing, and deploying preventive and detective fraud controls is related to which one of the following COSO integrated control framework:
- A. Control environment
 - B. Risk assessment
 - C. Information and communication
 - D. None of the above
83. Which of the following statement **BEST** describes a fraud risk register?
- A. Is a tool that documents the detected frauds
 - B. Is a tool that is used to list the identified risks
 - C. It is a tool that is used to document red flags identified
 - D. All the above
84. Which of the following is **NOT** accurate in regard to a fraud risk assessment framework?
- A. It is a detailed report of the assessment team's findings
 - B. It is a report that is used to document response plan
 - C. It is a report that is used to document individuals responsible for action
 - D. All the above
85. All parties in an organisation have some responsibility in fraud risk management. However, the level of responsibility differs. Which one of the following parties has the responsibility for evaluating the effectiveness of the fraud risk management program?
- A. Ethics and compliance officer
 - B. Management
 - C. Board of directors
 - D. None of the above
86. Embezzlement or theft of inventory is a fraud risk pertaining to which of the following categories of occupational fraud?
- A. Kickbacks
 - B. Economic extortion
 - C. Corruption
 - D. None of the above
87. When conducting risk identification, the fraud risk assessment team should specifically **NOT** discuss which of the following fraud risks?
- A. The risk of management overriding controls
 - B. Reputational risk
 - C. Information and technology risk
 - D. None of the above

88. Which of the following is **NOT** one of the five broad principles of fraud risk management?
- A. Risk governance
 - B. Fraud risk assessment
 - C. Information and communication
 - D. None of the above
89. Which of the following is one of the five broad principles of fraud risk management?
- A. Monitoring
 - B. Control environment
 - C. Information and communication
 - D. None of the above
90. Which of the following principle relates to organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity and ethical values regarding managing fraud risk?
- A. Control environment
 - B. Fraud Risk Assessment Principle
 - C. Fraud Control Activities
 - D. None of the above
91. Which of the following principles is related to the organisation performing comprehensive fraud risk assessments to identify specific fraud schemes and, assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks?
- A. Fraud Risk Governance Principle
 - B. Fraud Risk Assessment
 - C. Fraud Investigation and Correction Action
 - D. None of the above
92. Which of the following principles relate to the organisation selecting, developing, and deploying preventive and detective fraud control activities to mitigate the risk of fraud events occurring or not being detected in a timely manner?
- A. Fraud Risk Governance Principle
 - B. Fraud Control Activities
 - C. Fraud Risk Management Monitoring Activities Principle
 - D. None of the above
93. Which of the following is a fraud risk management principle related to the organisation establishing a communication process to obtain information about potential fraud, and deploys a coordinated approach to investigations and corrective action to address fraud appropriately and in a timely manner?
- A. Fraud Risk Governance Principle
 - B. Fraud Control Activities
 - C. Fraud Risk Assessment Principle
 - D. None of the above
94. According to 'Managing the Business Risk of Fraud', which of the following is **NOT** a type of a fraud risk management component?
- A. Affirmation process
 - B. Process evaluation and improvement (quality assurance)
 - C. Continuous monitoring
 - D. None of the above
95. Which of the following is **NOT** a principle for risk management provided by ISO 31000: 2018?
- A. Is integrated into high-risk organisational activities
 - B. Is structured and comprehensive
 - C. Is customised and proportionate to the organisation's operations and objectives
 - D. Is inclusive and provides for appropriate and timely consideration of stakeholders' knowledge, views, and perceptions

96. According to Managing the Business Risk of Fraud, which of the following is **NOT** a component for effectively managing fraud risk:
- A. Statement of commitment - a written statement of commitment to the program from the board of directors and senior management
 - B. Fraud awareness - an informal fraud risk awareness program for all employees
 - C. Affirmation process - a requirement for directors, employees, and contractors to explicitly affirm that they have read, understood, and complied with the organisation's code of conduct and fraud risk management program
 - D. None of the above
97. Which of the following statement is **NOT** accurate in regard to management reinforcing an anti-fraud culture?
- A. Management should visibly adhere to the same set of ethics policies that are required of all employees
 - B. Management should demonstrate to employees that unethical behaviour will not be tolerated
 - C. Create an environment in which employees fear management so that they can adhere to management's instructions and policies
 - D. None of the above
98. The primary responsibility for designing, implementing, monitoring, and improving the fraud risk management program rests with senior management. Which of the following statement is **NOT** accurate in regard to what management must do?
- A. Management must be very familiar with the organisation's fraud risks.
 - B. Management must ensure that the organisation has specific and effective internal controls in place to prevent and detect fraud.
 - C. Management must set the right tone at the top and monitor the company culture to ensure it appropriately supports the organisation's fraud prevention and detection
 - D. Management should only clearly communicate in words that fraud is not tolerated
99. Fraud risk management requires combined effort, where different parties have specific responsibilities. Which of the following statements is **NOT** accurate in regard to responsibilities for fraud risk management?
- A. Management has the primary responsibility for designing, implementing and monitoring of the fraud controls
 - B. Board of directors has the primary responsibility for developing strategy and supporting the fraud risk management initiatives
 - C. The auditor has the primary responsibility for fraud prevention and detection
 - D. None of the above
100. A Fraud Risk Management Program, like any other program must have objectives. Therefore, management must balance some factors in determining the program's objectives. Which of the following is **NOT** an objective of the fraud risk management program?
- A. Management's risk appetite
 - B. The investment in anti-fraud controls
 - C. The prevention of frauds that are material in nature or amount
 - D. None of the above

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CERTIFIED FORENSIC FRAUD EXAMINER (CFFE)

MODULE THREE

FRAUD RISK MANAGEMENT

MONDAY: 5 December 2022. Afternoon 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 is **CORRECT** in regard to a fraud risk assessment report?
 - A. The report should contain a detailed, comprehensive list of the assessment findings
 - B. The report should contain a detailed, comprehensive list of the responses gathered
 - C. The results of the risk assessment should be reported in a simple framework
 - D. All the above

2. Which of the following is **NOT** accurate in regard to a fraud risk assessment process?
 - A. The assessment team must be perceived as independent and subjective by the organisation for the process to be effective
 - B. Management and auditors should share ownership of the process and accountability for its success
 - C. Conducting an effective fraud risk assessment requires thinking like a fraudster
 - D. All of the above

3. Which of the following statements is **CORRECT**?
 - A. The auditor should incorporate the results of a fraud risk assessment into the annual audit plan
 - B. The auditor should not incorporate the results of a fraud risk assessment into the annual audit plan
 - C. The auditor should conduct a comprehensive fraud risk assessment before conducting an audit
 - D. None of the above

4. A well-designed and effective system of internal controls can _____.
 - A. Eliminate risk of fraud
 - B. Mitigate risks of fraud to an acceptable level
 - C. Eliminate fraud
 - D. All the above

5. Which of the following statement is **ACCURATE** in regard to Fraud Risk Assessment Frameworks?
 - A. Fraud risk assessment frameworks are valuable because they have been developed to fit any organisation.
 - B. Fraud risk assessment frameworks are not valuable because they cannot fit every organisation
 - C. Fraud risk assessment framework can either be a simple framework or a macro assessment framework
 - D. All the above

6. The fraud risk assessment team, should **NOT** consider which of the following fraud risks in addition to the specific risks related to each of the three categories of occupational fraud.
 - A. Management compliance with controls
 - B. Reputation risk
 - C. Law and regulatory risk
 - D. Information and technology risk

7. Fraudulent customer payments, corporate espionage, and hacking schemes are all fraud risks pertaining to which of the following categories?
 - A. Occupational fraud
 - B. Internal fraud

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- C. Information technology
D. None of the above
8. A fraud risk assessment report should reflect which of the following assessment team's opinion formed during the assessment engagement.
- A. Objective opinion
 - B. Professional subjective opinion
 - C. Expert opinion
 - D. Qualified opinion
9. A Certified Forensic Fraud Examiner can only evaluate an area as high risk, only if the assessment has found which of the following?
- A. Fraud has been previously detected in that area
 - B. Employees in the area are known to be dishonest
 - C. Red flags have been identified in the area
 - D. None of the above
10. Which of the following is **NOT** true about an effective internal controls system?
- A. It can be effective in mitigation of fraud risks
 - B. It Increases the perception of detection
 - C. It can eliminate fraud risks
 - D. It Balances preventive and detective controls
11. If management chooses to accept a risk, rather than mitigate the risk, this response is known as:
- A. Mitigating the risk
 - B. Transferring the risk
 - C. Avoiding the risk
 - D. Assuming the risk
12. If management decides to implement appropriate prevention and detection controls to treat an identified fraud risk, this response is known as:
- A. Transferring the risk
 - B. Mitigating the risk
 - C. Assuming the risk
 - D. None of the above
13. There are various factors that influence the level of fraud risk faced by an organisation. Which of the following is **NOT** one of them?
- A. The effectiveness of its internal controls
 - B. The financial stability of the organisation
 - C. The ethics of its leadership team
 - D. None of the above
14. Fraud risks that exist before management has put in place fraud-related controls are referred to as:
- A. Inherent risk
 - B. Fraud risks
 - C. Material risks
 - D. None of the above
15. Fraud risks that remain after management has put in place fraud-related controls are referred to as:
- A. Inherent risk
 - B. Fraud risks
 - C. Material risks
 - D. None of the above
16. In identifying fraud risks that pertain to an organisation, the fraud risk assessment team should specifically **NOT** discuss which of the following as potential fraud risks?
- A. Management override of controls
 - B. Collusion
 - C. Low perception of detection
 - D. Employees' override of controls

17. Which of the following is **NOT** correct in regard to ensuring the objectivity of the assessment team?
- A. The assessment should be conducted by a consultant
 - B. The assessment should be conducted by management with the assistance of a consultant
 - C. The assessment should be conducted by the risk department
 - D. None of the above
18. Controls that are designed to stop fraud before it occurs, and to detect when fraud has already occurred, are referred to as which of the following respectively?
- A. Detective, investigative controls
 - B. Hard, soft controls
 - C. Investigative, deterrent controls
 - D. None of the above
19. Which of the following individuals would generally be the most appropriate sponsor for a fraud risk assessment?
- A. An Auditor
 - B. The CFO
 - C. The CEO
 - D. None of the above
20. Detective anti-fraud controls include all of the following **EXCEPT**:
- A. Hiring policies and procedures
 - B. Proactive data analysis techniques
 - C. Hotline
 - D. Physical inspections
21. Which of the following is **NOT** true regarding the communication of the fraud risk assessment process?
- A. The communications should be in the form of a message from the risk assessment sponsor who must be a senior person who can command authority
 - B. The communication should not be personalised, to enable all members of staff to embrace the process and make it more effective
 - C. The communication should be openly communicated throughout the business
 - D. All the above
22. What is the objective of a fraud risk assessment?
- A. To assess the guilt or innocence of an employee suspected of committing fraud
 - B. To evaluate the design and effectiveness of an organisation's internal controls
 - C. To help an organisation identify what makes it most vulnerable to fraud
 - D. To estimate an organisation's fraud losses
23. After the conclusion of the fraud risk assessment process, which of the following is **NOT** correct in regard to how management should use the results
- A. Use the results to promote awareness and education to employees only
 - B. Evaluate progress against agreed action plans
 - C. Use the assessment results to monitor the performance of key internal controls
 - D. All of the above
24. Which of the following techniques for gathering information during a fraud risk assessment enables the fraud risk assessor to observe the interactions among several employees as they collectively discuss a question or issue?
- A. Interviews
 - B. Survey
 - C. Hotline
 - D. None of the above
25. Which of the following is **NOT** correct about the fraud risk assessment team?
- A. Team members should have a good understanding of fraud, diverse knowledge, and skills in risk assessment.
 - B. Team members should have advanced education in risk management
 - C. Team members should be individuals with experience and good skills for gathering and eliciting information
 - D. None of the above
26. Which of the following is **NOT** true regarding fraud risks?
- A. Risks that are present before mitigation are described as inherent risks

- B. The objective of anti-fraud controls is to make the residual fraud risk significantly smaller than the inherent fraud risk
- C. The objective of anti-fraud controls is to mitigate the inherent fraud risks.
- D. The objective of anti-fraud controls is to make the inherent fraud risk significantly smaller than the residual fraud risk
27. Identify one of the following who is **NOT** appropriate fraud risk assessment team members?
- A. The general counsel
- B. External consultants
- C. Accounting and internal audit personnel
- D. None of the above
28. During a fraud risk assessment, the assessment team should consider:
- A. Possibility for collusion
- B. The inherent limitations of internal controls
- C. Internal controls that might have been eliminated due to restructuring or expansion efforts
- D. All of the above
29. All the following are true in regard to fraud risk assessment **EXCEPT**?
- A. The results should be used to develop plans to mitigate fraud risk
- B. It can help management identify individuals and departments which put the organisation at the greatest risk of fraud
- C. It can help management eliminate fraud risks
- D. All the above
30. Which of the following is **NOT** a fraud risk?
- A. Management's method of making decisions
- B. Management's behavior
- C. Unhappy employees
- D. Capable guardians
31. If an area is assessed as having a high fraud risk, which of the following procedures should management **NOT** conduct?
- A. Put specific detective measures to increase the perception of detection
- B. Conduct a fraud detection audit
- C. Conduct a forensic audit
- D. All the of the above
32. The fraud risk assessment process should be conducted through which of the following methods?
- A. Undercover
- B. Overt
- C. Open
- D. None of the above
33. In response to a risk identified during a fraud risk assessment, if management decides to eliminate an activity or a product because the control measures required to mitigate the risk are too costly, is referred to as which one of the following?
- A. Assuming the risk
- B. Mitigating the risk
- C. Avoiding the risk
- D. Transferring the risk
34. Auditors should evaluate whether the organisation is appropriately managing the moderate-to-high fraud risks identified during the fraud risk assessment. Which one of the following evaluation methods can the auditor use?
- A. Identifying within the moderate-to-high-risk areas whether there is a moderate-to-high risk of management override of internal controls
- B. Designing and performing tests to evaluate whether the identified controls are operating effectively and efficiently
- C. Identifying and mapping the existing controls that pertain to the low-to-high fraud risks identified in the fraud risk
- D. All of the above

35. Preventive anti-fraud controls include all of the following **EXCEPT**:
- A. Investigative audits
 - B. Fraud awareness training
 - C. Segregation of duties
 - D. Hiring policies and procedures
36. In response to a risk identified during a fraud risk assessment, if management decides to purchase an insurance policy to help protect the company against fraud risk associated to employee's embezzlement, which one of the following **BEST** describes this type of response
- A. Avoiding the risk
 - B. Mitigating the risk
 - C. Assuming the risk
 - D. None of the above
37. Which of the following is **ACCURATE** in regard to a fraud risk assessment?
- A. The fraud risk assessment should include only management and auditor's views to ensure a holistic view of the organisation's fraud risks
 - B. Their views of the management and the auditor are sufficient and would also help to maintain independence and objectivity of the assessment process
 - C. The fraud risk assessment team should apply either qualitative or quantitative factors when assessing the organisation's fraud risks
 - D. All the above
38. Payment of bribes to procure business is a fraud risk pertaining to which of the following category of occupational fraud?
- A. Kickbacks
 - B. Economic extortion
 - C. Asset misappropriation
 - D. None of the above
39. A process aimed at proactively identifying an organisation's vulnerabilities to both internal and external fraud is referred to as:
- A. A fraud risk examination
 - B. A fraud risk assessment
 - C. Fraud risk identification
 - D. Fraud risk response
40. The three elements of the fraud triangle that facilitate fraudulent activities are referred to as:
- A. Asset misappropriation risks
 - B. Corruption risk
 - C. Fraud risks
 - D. Environmental risks
41. Theft of competitor trade secrets, anti-competitive practices, environmental violations, and trade and customs regulations related to import and export are all fraud risks **BEST** described as:
- A. External fraud risks
 - B. Asset misappropriation risk
 - C. Regulatory and legal misconduct risk
 - D. Internal fraud risk
42. Which of the following is **NOT** one of the 11 principles for risk management provided by ISO 31000:2009?
- A. The risk management program takes human and cultural factors into account.
 - B. The risk management program is based on transparency and accountability
 - C. The risk management program is dynamic, iterative, and responsive to change
 - D. The risk management program explicitly addresses uncertainty
43. Management of XYZ company wants to develop a formal risk management program and is using a risk management framework as a guideline. In developing the program, management should tailor the framework to the organisation's _____.
- A. Market condition
 - B. Business environment
 - C. Organisation culture

- D. None of the above
44. Weighing an organisation's strategic, operational, reporting, and compliance objectives against the organisation's risk appetite is **BEST** described as which one of the following?
- A. Risk assessment
 - B. Risk evaluation
 - C. Risk treatment
 - D. None of the above
45. According to COSO, a process that is designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, in order to provide reasonable assurance regarding the achievement of the entity's objectives is referred to as _____.
- A. Internal controls
 - B. Fraud prevention
 - C. Fraud risk assessment
 - D. Enterprise risk management
46. Which of the following is **NOT** true with regard to the objective of the fraud risk management program?
- A. Management must do a cost-benefit analysis of the anti-fraud controls against the amount of risk it is willing to accept
 - B. Management should express risk appetite according to the organisation's culture and operations
 - C. Management should not consider previous incidences of fraud as an objective of a fraud risk management program
 - D. All of the above
47. An organisation's fraud risk management program should include all the following components **EXCEPT** which one?
- A. How to disclose conflict of interest
 - B. Quality assurance activities
 - C. Whistleblower protection policies
 - D. Corporate governance
48. Which of the following is **NOT** an objective of a fraud risk management program?
- A. Fraud detection
 - B. Fraud response
 - C. Fraud prevention
 - D. None of the above
49. In defining the objectives of the fraud risk management program, management can decide to express its risk appetite using different measurements. Which of the following is **NOT** one of those measurements?
- A. Quantitatively
 - B. Qualitatively
 - C. Materiality
 - D. None of the above
50. The primary responsibility for designing, implementing, monitoring, and improving the fraud risk management program rests with _____.
- A. Risk officer
 - B. Internal auditor
 - C. The board of directors
 - D. None of the above
51. Which of the following is **NOT** one of the board of directors' responsibilities pertaining to fraud risk management?
- A. Providing oversight over the organisation's fraud risk management activities
 - B. Setting realistic expectations of management to enforce an anti-fraud culture
 - C. Designing and implementing fraud-related controls to mitigate fraud risks
 - D. All of the above
52. According to an organisation's fraud risk management program, which of the following is **NOT** true in regard to employees at all levels?
- A. Be aware how non-compliance might create a risk of fraud

- B. Cooperate with investigators in investigations of suspected or alleged fraud incidents, in compliance with anti-fraud policy
- C. Only senior managers are expected to assist in the design and implementation of fraud control activities
- D. All of the above
53. Various parties in an organisation have different levels of responsibility for fraud. Which of the following parties is responsible for developing a strategy to assess and manage fraud risks to be within the organisation's risk appetite and strategic plans?
- A. The internal audit department
- B. The management
- C. The risk department
- D. None of the above
54. The audit committee has specific responsibilities for fraud risk management. Which of the following is one of those responsibilities?
- A. Receiving regular reports on the status of reported or alleged fraud
- B. Monitoring and proactively improving the fraud risk management program
- C. Performing and regularly updating the fraud risk assessment
- D. None of the above
55. Risk management includes a number of activities in respect to risks that threaten an organisation. Which of the following is **NOT** one of those activities?
- A. Monitoring
- B. Identification
- C. Treatment
- D. Evaluation
56. According to Managing the Business Risk of Fraud, an organisation's anti-fraud policy should include consequences for individuals who not only perpetrate fraud but also those who condone fraudulent activity.
- A. True
- B. False
57. In fraud risk management, who is considered to have the greatest responsibility for fraud risk?
- A. Internal audit
- B. The board of directors
- C. Employees at all levels
- D. Executive management
58. Which of the following is **NOT** one of the components of COSO's Enterprise Risk Management-Integrated Framework?
- A. Control activity
- B. Internal environment
- C. Corporate governance
- D. Risk assessment
59. Management can only apply a quantitative measure to its risk appetite because it is more accurate than the qualitative measure in evaluating the effectiveness of the fraud risk management program.
- A. True
- B. False
60. The Audit and Risk Committee has oversight responsibilities over which of the following functions?
- A. Audit function
- B. Accounting function
- C. Risk management function
- D. All the above
61. Which of the following is **NOT** accurate in regard to what should be included in a fraud risk management program?
- A. On a case basis response plan
- B. Measures and procedures to address internal control weaknesses that allowed the fraud to occur
- C. Sanctions for fraud perpetrators
- D. All the above

62. Which of the following statements is **NOT** true in regard to an organisation's fraud risk management program?
- It should have measures and procedures to address failures in the design or operation of anti-fraud controls.
 - Unintentional non-compliance must be well-publicised and carried out in a consistent and firm manner
 - There should be a team, committee or an individual held responsible for monitoring compliance and responding to suspected incidences of non-compliance
 - All of the above
63. All of the following are types of detective anti-fraud controls **EXCEPT**:
- Continuous audit techniques
 - Fraud awareness training
 - Surprise audits
 - Analytical data review
64. Which of the following is **NOT** a factor that influences the level of fraud risk faced by an organisation?
- The absence of internal controls
 - The geographic regions in which it operates
 - The ethics of its leadership team
 - All of the above
65. Communication by board of directors and senior management in regard to their dedication and commitment to the fraud risk management program should be issued through a formal statement. Which of the following is **NOT** accurate?
- Is provided to all employees
 - Should not be provided to vendors, customers and consultants
 - Acknowledges the organisation's vulnerability to fraud
 - Is in writing
66. A Certified Forensic Fraud Examiner can properly evaluate an area as low risk, if the assessment has determined that there have been no incidents of fraud:
- True
 - False
67. Which of the following is **NOT** true in regard to fraud risk assessment process?
- The assessment team is expected to express a personal opinion at the end of the exercise
 - The assessment team is expected to make a subjective judgement in evaluation of the assessed risks a personal
 - Fraud risk assessment team should not conduct a risk assessment in areas where they are biased because of previous engagement
 - All the above
68. Which of the following is **NOT** one of the eight principles for risk management provided by ISO 31000:2018?
- The risk management program is based on the effectiveness of the internal controls
 - The risk management program is structured and comprehensive
 - The risk management program takes human and cultural factors into account
 - The risk management program is dynamic and responsive to change
69. According to the COSO, which of the following is **NOT** one of the principals involved in the risk assessment process?
- Identification of potential fraud
 - Assessing changes that could significantly impact the internal control system
 - Conducting and occasional monitoring of the risk management strategy
 - All the above
70. The fraud risk assessment team should identify specific fraud risks related to each of the three categories of fraud, and also identify other fraud risks. Which of the following is **NOT** one of those fraud risks?
- Ability to rationalise engaging in fraud
 - Low personal integrity
 - Perceived situational pressure
 - High perception of detection
71. Which of the following is **NOT** one of the five components of the ERM Framework?
- Governance and culture
 - Strategy and objective setting

- C. Performance
D. None of the above
72. Which of the following is **NOT** considered correct in regard to employees and management?
A. All must understand the organisation's ethical culture and the organisation's commitment to that culture.
B. All must have a basic understanding of fraud and be aware of the red flags.
C. All must understand their individual roles within the organisation's fraud risk management framework
D. None of the above
73. All the following are the five broad principles of fraud risk management, which of the following is NOT one of them?
A. Risk governance
B. Fraud risk assessment
C. Control environment
D. All the above
74. Which of the following is **NOT** correct in regard to fraud risk management?
A. Risk management involves the identification of risks
B. Risk management involves prioritisation and treatment of risks
C. Risk management involves monitoring of risks that threaten an organisation's ability to provide value to its stakeholders
D. None of the above
75. Which of the following statements is **NOT** correct?
A. Identification and detection of fraud terminologies can properly be used interchangeably
B. Identification and detection of fraud terminologies are not the same
C. Identification of fraud refers to red flags risks and risks of fraud
D. None of the above
76. The fraud risk assessment team should identify fraud risks on their _____.
A. Residual basis
B. Both inherent and residual basis
C. Impact basis
D. None of the above
77. Which of the following statements is **NOT** correct?
A. High tolerance for fraud and fraud risk appetite is the same
B. The management and board should have zero tolerance for fraud
C. The management and board should have low risk appetite for fraud
D. None of the above
78. Which of the following statement is **NOT** true in regard to a fraud risk register?
A. A risk register is a document used as a risk management tool
B. A risk register can also be used to fulfill regulatory compliance
C. A risk register is a repository for all risks identified
D. None of the above
79. Fraud risks are assessed based on several criteria. Which of the following is **NOT** one of them?
A. The likelihood that the risk will be exploited
B. The impact if the risk occurs
C. The effectiveness of the fraud related controls
D. None of the above
80. Which one of the following defines treatment for residual risks that require designing and implementing more fraud related controls?
A. Mitigation
B. Avoid the risk
C. Assume the risk
D. None of the above
81. The board of director's, responsibility for, risk oversight, establishing operating structures, and defining the desired culture are examples of which of the following principles of COSO ERM 2017?

- A. Governance and culture
 - B. Review and revision
 - C. Information and communication
 - D. All the above
82. An effective fraud risk management program does **NOT** have which one of the following components?
- A. Inform the organisation that management will proactively conduct fraud detection activities
 - B. Enhances the organisation's positive public image and reputation
 - C. Promotes goodwill with other organisation and the general public
 - D. Decrease the perception of detection
83. The Fraud Risk Management (FRM 2016) Principle related to organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity is related to which one of the following IC 2013 Components?
- A. Risk Assessment
 - B. Control activities
 - C. Information and communication
 - D. None of the above
84. The fraud risk management (FRM 2016) Principle related to organisation, selecting, developing, and deploying preventive and detective fraud controls is related to which one of the following IC 2013 Component.
- A. Control environment
 - B. Risk assessment
 - C. Control activities
 - D. All the above
85. Which of the following is **NOT** correct about a fraud risk register?
- A. Is a tool that documents the detected frauds
 - B. Is a tool that is used to analyse the identified risks
 - C. It is a tool that is used to evaluate/score the risk
 - D. All the above
86. Which of the following is **NOT** correct in regard to a fraud risk assessment framework?
- A. It is a report that is used to document the opinion of the fraud risk assessment
 - B. It is a report that is used to document response plan
 - C. It is a report that is used to document individuals responsible for action
 - D. All the above
87. All parties in an organisation have some responsibility in fraud risk management, however, the level of responsibility differ. Which one of the following parties has the responsibility for evaluating the effectiveness of the fraud risk management program?
- A. Internal and external auditor
 - B. Ethics and compliance officer
 - C. Management
 - D. Board of directors
88. Skimming of cash or theft of inventory is a fraud risk pertaining to which of the following category of occupational fraud?
- A. Kickbacks
 - B. Economic extortion
 - C. Asset misappropriation
 - D. None of the above
89. An organisation's fraud risk management team should be designated to one department to enable efficient management and oversight over the team's roles and responsibilities.
- A. True
 - B. False
90. The board of directors and senior management should provide a formal statement of commitment to the fraud risk management program. The statement can also be in form of a statement of the organisation's core values

- A. True
B. False
91. When conducting risk identification, fraud risk assessment team should specifically discuss the potential for management override of controls as a fraud risk, only if there have been cases of lack of integrity in management
A. True
B. False
92. A fraud risk management program must include mechanisms specifically designed to monitor, identify, and address breaches in compliance.
A. True
B. False
93. Which of the following is **NOT** one of the five broad principles of fraud risk management?
A. Risk governance
B. Fraud risk assessment
C. Governance and culture
D. None of the above
94. Which of the following is one of the five broad principles of fraud risk management?
A. Fraud investigation and corrective action
B. Control environment
C. Information and communication
D. All the above
95. Which of the following principle relates to organisation establishing and communicating a fraud risk management program that demonstrates the expectations of the board of directors and senior management and their commitment to high integrity and ethical values regarding managing fraud risk.
A. Fraud Risk Governance Principle
B. Fraud Risk Assessment Principle
C. Fraud Control Activities
D. None of the above
96. Which of the following principles is related to the organisation performing comprehensive fraud risk assessments to identify specific fraud schemes and, assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks.
A. Fraud Risk Governance Principle
B. Fraud Control Activities
C. Fraud Investigation and Correction Action
D. None of the above
97. Which of the following principle relate to the organisation selecting, developing, and deploying preventive and detective fraud control activities to mitigate the risk of fraud events occurring or not being detected in a timely manner.
A. Fraud Risk Governance Principle
B. Fraud Investigation and Correction Action
C. Fraud Risk Management Monitoring Activities Principle
D. None of the above
98. Which of the following principles relate to the organisation establishing a communication process to obtain information about potential fraud, and deploys a coordinated approach to investigations and corrective action to address fraud appropriately and in a timely manner?
A. Fraud Risk Governance Principle
B. Fraud Investigation and Correction Action
C. Fraud Risk Governance Principle
D. None of the above
99. According to 'Managing the Business Risk of Fraud', which of the following is **NOT** a type of a fraud risk management component?

- A. Affirmation process
- B. Process evaluation and improvement (quality assurance)
- C. Continuous monitoring
- D. Informal fraud risk awareness program for all employees

100. Which of the following is **NOT** one of the 8 principles for risk management provided by ISO 31000:2018?

- A. The risk management programme takes human and cultural factors into account.
- B. The risk management programme is based on a mandate and commitment
- C. The risk management programme is dynamic, iterative and responsive to change
- D. The risk management programme explicitly addresses uncertainty

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