1. One of the five integrated components of internal control is the control environment. The control environment
   
   a. Is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization.
   b. Includes establishing the tone of conduct developed by middle management.
   c. Is not involved in attracting and retaining competent individuals.
   d. Is concerned only with the internal environment of the entity.

2. The fraud risk management principles in the Fraud Risk Management Guide correlate with the internal control components and principles of COSO’s 2013 Internal Control — Integrated Framework (COSO framework). Which component includes the resolution of instances of noncompliance and allegations involving fraud and misconduct?
   
   a. Fraud risk governance.
   b. Fraud investigation and corrective action.
   c. Fraud risk management monitoring activities.
   d. Fraud control activity.

3. The Executive Summary to Enterprise Risk Management — Integrating with Strategy and Performance discusses the changing risk landscape. One of the highlights is that
   
   a. The margin for error in risk management is increased.
   b. When risk is considered in the formulation of an organization’s strategy and business objectives, enterprise risk management helps to optimize outcomes.
   c. Stakeholders downplay leadership’s ability to crystallize opportunities or manage risk impact.
   d. The choice of objectives has little or no effect on risk.
4. The COSO framework defines internal control as a process effected by an entity’s board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. The framework expands on this, saying the definition reflects certain fundamental concepts, which state that internal control is

a. A process consisting of ongoing tasks and activities that are ends in themselves.
b. A process that should provide absolute assurance to an entity’s senior management and board of directors.
c. A process with one objective: compliance.
d. Adaptable to the entity structure — flexible in application for the entire entity or for a particular subsidiary, division, operating unit, or business process.

5. The COSO framework sets out 17 principles, which represent fundamental concepts associated with each of the 5 components of internal control. The principle that says, “The organization identifies and assesses changes that could significantly impact the system of internal control,” is associated with which component?

a. Control environment.
b. Risk assessment.
c. Control activities.
d. Monitoring activities.

6. The section “Initial Action Steps” of COSO’s thought paper, Creating and Protecting Value: Understanding and Implementing Enterprise Risk Management, describes how to implement an initial enterprise risk management (ERM) effort and includes basic methodology, process, and related frameworks. These action steps

a. Indicate that the board and executive management would set an agenda item to discuss ERM, which could include discussing how ERM helps in achieving the organization’s strategies and business objectives.
b. Emphasize that the organization’s entire board would lead the risk management initiative.
c. Includes as the final step conducting an assessment of key strategies and related risks.
d. State that initial risk reporting should be in depth.
7. The authors of the *Fraud Risk Management Guide* list a number of steps for implementing an ongoing, comprehensive fraud risk management process. Which option is the first step?

a. Establish a fraud risk management policy as part of organizational governance.
b. Perform a comprehensive fraud risk assessment.
c. Select, develop, and deploy preventive and detective fraud control activities.
d. Monitor the process and report results.