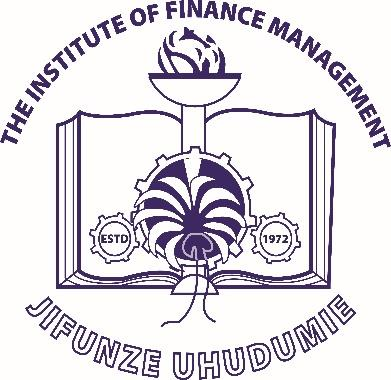
**THE INSTITUTE OF FINANCE MANAGEMENT**



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| **Module Name:** | AUDITING AND ASSURANCE SERVICES |
| **CODE Number:** | AFU08192 |
| **Class:** | BAIT\_3B |
| **Student Name** | GODFREY ERNEST MAPUNDA |
| **Registration Number** | IMC/BAIT/2123823 |

**INDIVIDUAL ASSIGNMENT**

To provide examples for **Pressure/Need, Opportunity and Rationalization in FRAUD TRIANGLE**

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**Pressure/Need:**

**Financial Pressure:** This aspect of the Fraud Triangle encompasses situations where an individual faces significant financial challenges such as mounting debts or medical expenses. The strain of financial difficulties may push an employee towards fraudulent actions as a perceived solution to alleviate their economic burdens. Additionally, individuals with aspirations for a higher **standard of living** beyond their current means may also feel the pressure to commit fraud to fulfill these lifestyle desires. In some cases, employees struggling with **addiction or gambling problems** might resort to fraudulent activities as a means to fund their habits, further intensifying the financial pressure they experience.

**Opportunity:**

**Weak Internal Controls:** When an organization has inadequate segregation of duties, it creates an opportunity for employees to manipulate financial records without detection. This weakness in internal controls allows individuals to exploit their positions and engage in fraudulent activities. Similarly, a lack of oversight, whether due to insufficient supervision or monitoring of employees' activities, provides an opportunity for fraudulent behavior to go unnoticed. **Unmonitored access to sensitive financial information** also contributes to the opportunity for employees to misuse their positions for fraudulent activities.

**Rationalization:**

**Temporary Loan:** Rationalization involves individuals convincing themselves that their fraudulent actions are justified or acceptable. For instance, someone might perceive their illicit actions as a temporary loan, intending to repay the misappropriated funds when their financial situation improves. Another form of rationalization occurs when an individual believes they are experiencing perceived injustice, feeling justified in committing fraud as a way to correct what they perceive as unfair compensation. Additionally, the rationalization that the company owes them something may lead an employee to engage in fraudulent activities if they believe they have been mistreated or inadequately compensated.

Understanding these elements of the Fraud Triangle is crucial for auditors and organizations to identify and address potential risks, implementing measures to strengthen internal controls, reduce opportunities for fraud, and foster an ethical organizational culture.