

Qanswer questions

[Finance](#)



Fraud triangle and auditing Question 1 I happened to work as an intern in a construction firm, and because of the sensitive of the matter am going to address I find it unethical to mention the name of the firm. According to (Padgett, n. d.), fraud in a corporation is not always committed out of greedy as many perceive it; others are circumstantial. Deputy procurement officer of the firm had a financial crisis, and her spouse had been arrested and arraigned in court. He was fined \$ 55, 000. She could not raise that amount, and the firm could not lend her anymore because she had reached the maximum lending for that year. She used her position and to fraud the consultancy. Colluding with bricks supplier they defraud the firm a total of \$ 100, 000. Construction of the houses was halted due to insufficient funds this was five months after the fraud had taken place. The Chief Executive Officer of the firm instructed an auditor to examine what had happened. In his report, he suggested \$ 150, 000 had been spent and cannot be accounted. An organization should always try to assess the state of its employees who have influential power and monitor their acts (Frederickson, n. d). Domestic problems are hard to control if one has a chance to fraud the organization. For the firm to stop future frauds of this form then it should ensure construction materials are delivered, the foreman signs and a copy sent to the finance director.

Question 2

Inherent risks refer to those risks that can result in the misstatement of the audit if there was no any control at all. On the other hand control risks refer to those risks that cannot be mitigated by the current internal control and would result in the misstatement of the audit. As an auditor, it is expected of you to hand-in a non-bias and sound report. According to Hindson (2011), <https://assignbuster.com/qanswer-questions/>

assessing the inherent risks for the organization will help an auditor have an overview of the anticipated risks in his auditing. The risks are narrowed down when he identifies control risks. The control risks make the auditor aware of the contentious areas where risks are likely to occur and go unnoticed (Tursi, 1989). For instance, there are times when the internal control to prevent fraud cannot detect and control fraud committed by finance director. In such cases, the auditor should be very keen when analyzing any financial activities initiated and authorized by the director.

References

Frederickson, H. (n. d.). Ethics in public management (Second ed.).

Hindson, M. (2011). Audit and Accountancy Pitfalls A Casebook for Practising Accountants, Lawyers and Insurers. John Wiley & Sons.

Padgett, S. (n. d.). Profiling the fraudster: Removing the mask to prevent and detect fraud.

Tursi, M. (1989). Audit planning (Rev. 1989. ed.). New York, N. Y.: American Institute of Certified Public Accountants.