



**FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING**

**FRAUD IN SEVENTH DAY ADVENTIST SECONDARY SCHOOL IN CENTRAL
ZIMBABWE CONFERENCE**

By

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENT FOR THE MASTER OF COMMERCE IN ACCOUNTING DEGREE**

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Declaration

I, Bridget Sithole declare that: this research dissertation report is my original work. It has not been submitted to any University, College or School for the award of any master's degree, degree or diploma.

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Dedication

This dissertation is dedicated to my husband Walter Sithole for the support he gave to me during the study. To my father and mother Wilson and Gladys Mariseni for laying a good educational base by educating the girl child. To our children, Gregory and Caitlin for their understanding during the times of absence while undertaking the study.

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Abstract

The study established the relationship between the Fraud Triangle and the increase of fraud. It was prompted by the increase of repeated fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

The study adopted a quantitative descriptive research design to establish the relationship between the Fraud Triangle and the increase of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

The population study considered was all the (11) eleven secondary schools in Central Zimbabwe Conference. The population size of the study was 42(forty-two) respondents and self administered questionnaires were used to collect data from the administrators and accounting staff.

The study found out that there was a positive relationship between the Fraud Triangle and the increase of fraud cases in the Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. The significant levels were not so high but however all the three factors that constituted the Fraud Triangle of pressure, opportunity and rationalization existed.

From the findings, it was recommended that the triangle be dismantled. The leg of the Fraud Triangle which management has control over is the opportunity factors to commit fraud. Management was recommended to tighten more the internal controls of the institutions to reduce fraud. It was also recommended that seminars should be held regularly for key workers in schools in order sensitize them on fraud and its consequences both to the employee and to the organization. Finally it was recommended, that the remuneration committee should review the salary and benefits of employee if they were reasonable.

CHAPTER ONE

1.1 Background of the Study

Central Zimbabwe Conference is the governing body of eleven secondary schools and twenty-three primary schools of the Seventh Day Adventist church in the midlands region. Employees in these religious institutions are expected to be bound by Christian ethics. These traits are scrutinized during the interviews and testimonial letters from their respective churches. Christian ethics is the study of practices and principles of rights (virtues) or wrongs (sinful) in the light of the scriptures. It communicates the idea of what one ought to do. Christian ethics gives guidance to employees and provide a framework to resolve dilemmas which emerge in the running of day to day business (Webley 2010).

The Christian ethics of honesty and transparency requires employees to speak the truth and be totally honest in reporting the use of time, money, and accomplishments. Good employees should not take items that do not belong to them. Being a servant is another Christian belief which implies that the value of a business is its service and the value of the employees is in how well they serve the customer's needs. This means putting the needs of others before their own (Habenicht, 1999).

The other example of Christian ethics is being personally responsible. This requires employees to take full responsibility for their actions and decisions. There is also the Christian ethics of requirement of reasonable profits. It expects employees to treat others the same way they would want to be treated in business dealings. Over profiteering is discouraged by this Christian belief. Employees should be content with their wages for the service to the organization and the employer should pay the employee the wages worth the service (Habenicht, 1999).

Based on the above traits, it is expected that an attested Christian should be guided by Christian ethical values for example, to shun fraud and other related activities. However, Harris(2013) posits that in today’s society Christian business ethics is not enough to resolve the dilemmas. Seventh-Day Adventist Secondary Schools in the Central Zimbabwe Conference have not been spared from this dilemma as evidenced by the fraud cases that have increased during the recent years. There have been several cases of repeated fraud through misrepresentation of documentation and corruption reported in these institutions. “Despite intense effort to stamp out corruption, misappropriation of assets and fraudulent financial reporting, it appears that fraud in it various forms is a problem that is increasing in frequency and severity”(Illuminations, 2009:69).

Why people commit fraud was first examined by Cressey, a famed criminologist in the 1950s(Kassem and Higson 2012). Fraud is an intentional criminal act by an individual involving the use of deception to obtain an unjust or illegal advantage(CIMA 2009).

Defrauding an organization is not an accident but rather a calculated and deliberate act of deception implying that fraud is a criminal behavior. Fraud does not only involve theft of money but also confidential information and assets(CIMA 2009). Fraudulent behavior has been explained by Dr. Donald R. Cressey through the Fraud Triangle that explains how the process of fraud occurs. The fraud triangle consists of three levels that a dishonest individual or group goes through in order to commit fraud, these are pressure, opportunity and rationalization(Cressey 1953).

Pressure is the “need” felt by an individual to commit fraud. The need to commit fraud is perceived by a non-shareable financial need (Cressey, 1973). Opportunities are conditions or situations which allow an employee the ability to commit fraudulent activities (Cressey,

1973). Rationalization is when an individual reconciles their fraudulent behavior with the commonly accepted notions of decency and trust. The individual excuses their actions by viewing their crimes as non-criminal, justified, or part of a situation which the offender does not control (Cressey, 1973).

Based on Cressey's fraud triangle, this study proposes to test the fraud triangle against the increasing repeated cases of fraud in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. To the researcher's best knowledge, no study has tested the validity of the fraud triangle in Zimbabwe moreover in a Christian environment consisting attested Christians who are expected to be guided by Christian ethics in dealing with dilemmas. This study contributes to existing literature on the fraud triangle by filling this identified gap.

1.2 Statement of the Problem

Central Zimbabwe Conference is the responsible authority for twenty-three Primary Schools and eleven Secondary Schools. There have been recent reports of the increase in repeated fraud cases through misrepresentation of documents and corruption in these institutions. Since, there has been no empirical studies that correlates of fraudulent activities in a Christian environment in Zimbabwe. It is against this background this study seeks to investigate the cause of the increase of these fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

1.3 Objective

To establish the relationship between the Fraud Triangle and the increase of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

1.4 Hypothesis

There is a positive relationship between the Fraud Triangle and the increase of fraud in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

1.5 Scope of the study

1.5.1 Conceptual scope

This study confined to fraud in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. In this study fraud in the institutions was tested using the fraud triangle taking into account the three factors of pressure, opportunity and rationalism.

1.5.2 Geographical scope

The study focused on Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

1.6 Significance of the study

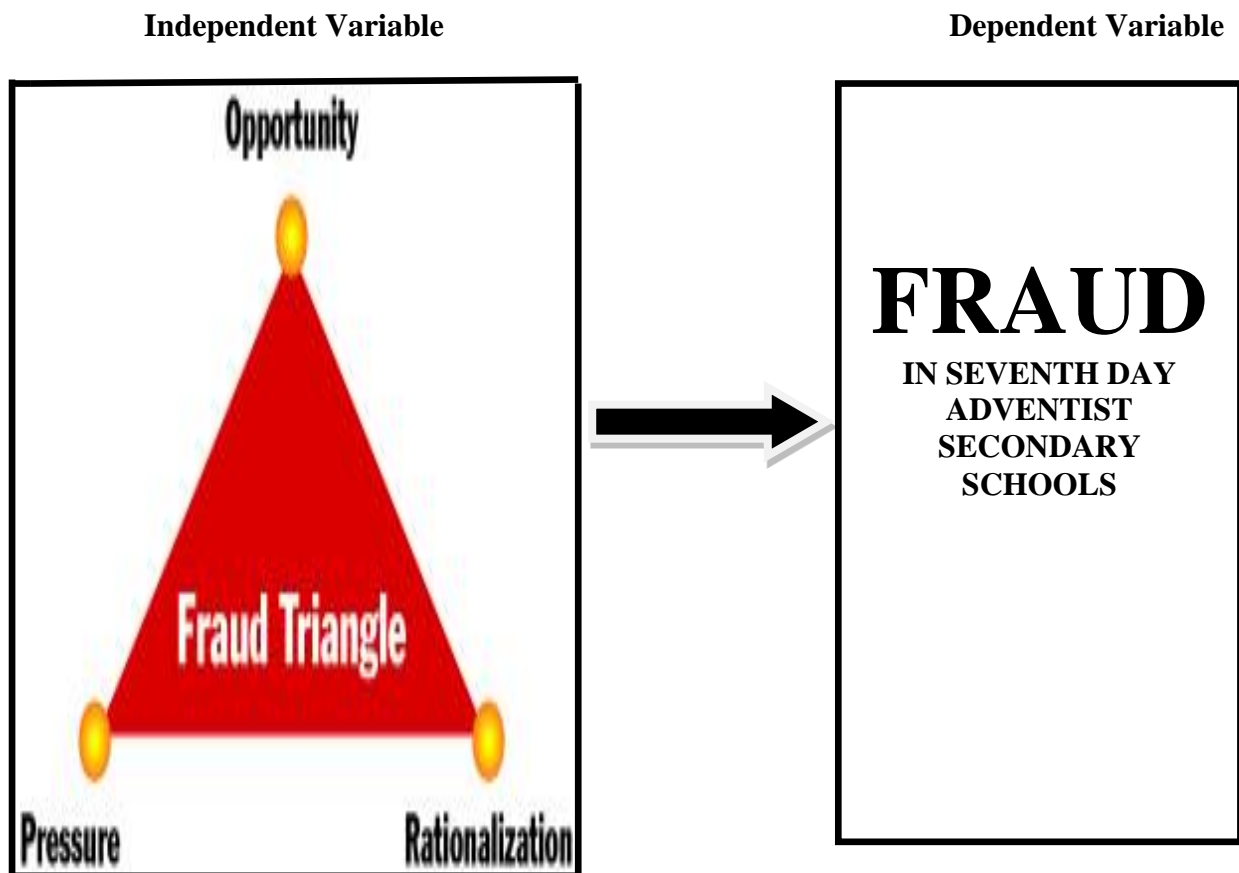
- i. The study gives an understanding of how the fraud triangle explains the thought process which lead a dishonest individual or group to commit fraud
- ii. The research findings are expected to benefit Central Zimbabwe Conference as the responsible authority and its institutions as it generates additional insights on fraud as behavior. So, that they monitor the presence of those elements of pressure, opportunity and rationalization if they exist among their employees which could encourage and enable fraud.
- iii. To broaden the knowledge of the researcher

1.7 Conceptual frame work

The conceptual model was developed out of a review of existing literature about the variables. It draws upon works of authors like; Cressey(1973) and Lister(2007). The model explains that “Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable(**pressure**), are aware this problem can be secretly resolved by violation of the position of financial trust(**opportunity**), and are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property(**rationalisation**)”(Cressey 1973:30). Cressey focused on these three elements of pressure, opportunity and rationalization as the independent variable. That when these elements are encountered by an employee, could lead the employee to engage into fraudulent and unethical activities which is the dependent variable.

Lister (2007) concurred with Cressey’s view although Lister used the concept of making a fire as an illustration. Pressure /motive to commit fraud was defined as “the source of heat for the fire” but Lister believed the presence of these pressures in someone’s life alone did not mean individual would commit fraud. Opportunity was defined, as “the fuel that keeps the fire going” and Lister believed even if a person has a motive/pressure and opportunity, it could not perpetrate a fraud. Rationalization was the final element need and it was defined as “the oxygen that keeps the fire burning.” The severity of fraud depended on the strength of three elements combined. In other words, there is a positive relationship between any unethical decisions or fraud committed by an employee and the existence of the three elements of the Fraud Triangle combined. This is expressed in the diagram below

Figure 1 Conceptual Framework



Based on literature review and modified by the researcher: Wells, J. T., 2005. Principles of fraud examination. Hoboken, New York: John Wiley and Sons

According to the conceptual framework diagram it has been assumed that the repeated increase of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference has been attributed by factors that constitute Cressey's Fraud Triangle. It is to be expected that when an employee is under pressure caused by a non shareable financial problem the employee will commit fraud. Further, an opportunity created by the weaknesses in the system will allow an employee to commit fraud. After committing the fraud because of the existence of pressure and opportunity the employee will excuse themselves by justifying the act of committing the fraud.

CHAPTER TWO; LITERATURE REVIEW

2.1 Introduction

This chapter reviews the existing literature on what the Fraud Triangle Theory is all about, reasons why employees commit fraud, classification of fraud, types of fraud and the effects of fraud. This chapter explores the problem in literature. The basic structure of the literature review follows the conceptual framework set out in Chapter One. In the development of the chapter, theoretical and empirical literature is discussed based on the conceptual framework. Studies carried across the world are explored. A summary of the chapter brings this part of the study to a close.

2.2 Fraud Triangle Theory

The fraud triangle theory identifies the elements that lead perpetrators to commit fraud. According to Dorminey, Fleming, Kranacher, and Riley (2010), notes that the origin of this theory dates to the works of Sutherland, who coined the term white collar crime, and Cressey, one of Sutherland's former students. Cressey focused his research on the circumstances that lead individuals to engage in fraudulent and unethical activity; his research later became known as the fraud triangle theory. In this theory Cressey (1953) concluded that, it is expected that when a “trusted person” is under pressure as a result of a non-shareable financial problem the individual will commit fraud. Moreover weakness in systems will create the opportunity through “the position of financial trust” to commit fraud. When fraud has been committed through pressure and opportunity, then the perpetrator justifies the act of committing fraud. Pressure, opportunity and rationalization are three conditions that must exist if fraud is to occur (Cressey, 1953).

The Fraud Triangle theory has been widely used by regulators, professionals, and academics and it describes three factors that are present in every situation of fraud. These are Pressure, Opportunity and Rationalization as illustrated in the figure 2.

Pressure or incentives is the need to commit fraud. Every fraud perpetrator faces some type of pressure to commit unethical behaviour. Albrecht et al. (2006) pointed out that the word perceived is important due to the fact that pressure does not have to be real. If the perpetrators believe they are being pressured, this belief can lead to fraud. Pressure can result almost from anything including lifestyle, economic demands, and other financial and non-financial terms but it often involves a non-sharable financial need.

According to SAS No.99, there are four common types of conditions on the pressure that can lead to fraud. The conditions are financial stability, external pressure, personal financial need and financial targets.

Figure 2 Fraud Triangle



Source: Wells, J. T., 2005. Principles of fraud examination. Hoboken, New York: John Wiley and Sons

Opportunity is the conditions which allow fraud to be committed created by weaknesses in the system. These conditions are created by weak internal controls, management oversight or through use of ones position and authority Subramaniam (2008). To concur Cressey(1953) also mentioned that perceived opportunity arises when the fraudster sees a way to use their position of trust to solve the financial problem, knowing they are unlikely to be caught. Failure to establish adequate procedures to detect fraudulent activity also increases the opportunities fraud for to occur. Opportunity is one the element which business owners have the most control over. Limiting opportunities for fraud is one way a company can reduce it.

Rationalization that is, the attitude, character or set of ethical values that allow certain parties to commit acts of fraud, or different people in an environment that makes them commit rationalize fraudulent actions. Cressey(1953) adds that most fraudsters are first-time offenders with no criminal record. They see themselves as ordinary, honest people who are caught in a bad situation. This enables them justify the crime to themselves in a way that makes it acceptable or justifiable. For those who are generally dishonest, it is probably easier to rationalize a fraud and to those with higher moral standards, it is probably not so easy. They have to convince themselves that fraud is OK with “excuses” for their behaviour. Rationalization is part of the fraud triangle which is the most difficult to measure (Skousen et al., 2009).

2.3 Reasons why employees commit fraud

There are several but related theories about why employees commit fraud. The first theory is based on Hollinger and Clark study of 12,000 employees in the workforce. The researchers concluded that the most common reason employees committed fraud was primarily as a result

of workplace conditions. The reasons of committing fraud had to do with a little opportunity but more with pressure. The more dissatisfied the employee, the more likely they were to engage in criminal behavior. One criminologist described the phenomenon as “wages in kind.” Everyone has a sense of value and if they believe they are being unfairly treated or inadequately compensated, statistically they are at much higher risk of trying to balance the scales by being involved in fraudulent behavior.

Reason for employees committing fraud related to financial pressures was also explained by Dr. D. Cressey in the 1950s when he interviewed nearly 250 incarcerated embezzlers, including convicted executives within five months whose behaviors met two criteria. Firstly the person must have accepted a position of trust in good faith, and secondly the individual must have violated the trust (Rasha and Andrew, 2012). Cressey found that the great majority committed fraud to meet their financial obligations. Cressey observed that two other factors had to be present for employees to commit fraud adding to the findings of Hollinger and Clark study. These were that there must be perceive opportunity to commit and conceal their crimes, and be able to rationalize their offenses as something other than criminal activity. Cressey illustrated this by using what is known the “Fraud Triangle”.

Albrecht et al (1984) also introduced the “fraud scale model” as an alternative for the fraud triangle model. The fraud scale includes personal integrity instead of rationalization and it is particularly applicable to financial reporting fraud where sources of pressure (e.g. analyst forecasts, management’s earnings guidance, a history of sales and earnings growth) are more observed. Personal integrity is defined as “the personal code of ethical behavior each person adopts.” Personal integrity can be observed through observing both a person’s decisions as well as the decision-making process. That person’s commitment to ethical decision-making

can be observed and this can help in assessing integrity and thus, the likelihood of an individual committing fraud can be reduced. This research was conducted by performing an analysis of 212 frauds in the early 1980s to determine the motivations of the perpetrators of occupational frauds and abuses.

Wolf and Hermanson (2004) introduced the fraud diamond model where they presented another view of the factors to fraud. The theory adds fourth variable “capabilities” to the three factor theory of fraud triangle. Wolf and Hermanson believed many frauds would not have occurred without the right person with right capabilities implementing the details of the fraud. They also suggested four observation traits for committing fraud.

Firstly the person’s position or function within the organization may furnish the ability to create or exploit an opportunity for fraud not available to others. Secondly, the right person for a fraud is smart enough to understand and exploit internal control weaknesses and to use position, function, or authorized access to the greatest advantage. Thirdly, the person has a strong ego and great confidence that he will not be detected, or the person believes that he could easily talk himself out of trouble if caught. Lastly a successful fraudster can coerce others to commit or conceal fraud.

2.3.1 Pressure Factors

The pressure or need that an individual feels in order to commit fraud. It could be a true financial need such as outstanding bills or personal debts or could also be a perceived financial need which one is unable to satisfy with his/her current income such as expensive holidays and cars, business reversal where inflation has increased causing interest rates to

increase rise of capital etc, gambling or even drug addiction. In all cases were some form of pressure is experienced by the perpetrators financial problem as a secret (Siegel, 1989).

Cressey divided these “non-shareable” problems into six basic subtypes. Firstly is the violation of ascribed obligations. This is when the subject faces the prospect of being unable to pay his debts. Secondly is when there are problems resulting from personal failure. In this case the individual experiences problems, such as drug addiction, that results from poor personal judgment. The third basic subtype is business reversals. The subject faces the prospect of a failing business due to inflation, high interest rates, rising of cost of capital which is beyond their control. Fourthly, is physical isolation. This is when the subject is isolated from people who could help him with his problem. The fifth basic subtype is status gaining. The subject seeks to maintain a certain status level but does not have the financial means to do so. Finally the basic subtype is the employer-employee relations. In this case the subject feels he has been mistreated by his employer and needs to “get even.” The resentment can come from perceived economic inequities, such as pay, or from the feeling of being overworked or under appreciated.

Albrecht et al (1984) also classified motivations to commit financial reporting frauds into nine different types which are similar to those of Cressey’s non-sharable financial problems: living beyond their means, an overwhelming desire for personal gain, high personal debt, a close association with customers, feeling pay was not commensurate with responsibility, a wheeler-dealer attitude, strong challenge to beat the system, excessive gambling habits, and undue family or peer’s pressure.

Murdock (2008) also concurs that pressure can lead to fraud. It can be a financial pressure, non financial, or political and social pressure. Non-financial pressure can be derived from a lack of personal discipline or other weaknesses such as gambling habit, drug addiction.

While, political and social pressure occurs when people feel they cannot appear to fail due to their status or reputation. Rae and Subramaniam (2008), agrees that pressure relates to employees motivation to commit fraud as a result of greed or personal financial pressure. Albrecht et al. (2008, 2010), also however, concurs with others pressure/motive can be financial or non-financial and can lead to fraudulent behavior. Examples of perceived financial pressures that can motivate fraud are; personal financial losses, falling sales, inability to compete with other companies, greed, living beyond one's means, personal debt, poor credit, the need to meet short term credit crises, inability to meet financial forecasts, and unexpected financial needs. Non-financial pressure examples were; the need to report results better than actual performance, frustration with work, or even a challenge to beat the system.

Pressures that motivate fraud were classified differently as employment pressure, external pressure and personal pressure. They can come from either financial or non-financial pressure. However, both classifications are related. For instance, personal pressure can come from both financial and non-financial pressure. A personal financial pressure in this case could be gambling addiction or sudden financial need, while a personal non-financial pressure can be lack of personal discipline or greed.

By the same token, employment pressure and external pressure can come from either financial or non-financial pressures. Employment financial pressure can result from low salaries or a continuous compensation structure, while an employment non-financial pressure unfair treatment or fear to lose the job. Finally external financial pressure can be financial threat to business instability or market expectations, while external non-financial pressure can be reputation or image upkeep (Rasha & Andrew2012).

2.3.2 Opportunity Factors

These are situations and circumstances that make it possible for fraud to take place. The trusted violator has access of assets, information or money. The perpetrator usually uses his/her position or relations with the organization to either override systems, forge documents or dupe honest employees in order to gain the perceived reward, without getting caught(Cressey 1953). There is a direct correlation between opportunity to commit fraud and the ability to conceal the fraud(Vona (2008).

Management has the most control over the opportunity factors that they can limit access to assets and put controls in place that ensure monitoring of systems and people. For example, an employee with uncontrolled access to company funds has the opportunity to misappropriate those funds. The uncontrolled access of records and valuables in the ordinary course of the employee's job has allowed him or her to commit fraud.

Lister (2007) saw opportunity, as "the fuel that keeps the fire going" and he believed even if a person has a motive, he or she cannot perpetrate a fraud without being given an opportunity. He also gave some examples of opportunities that can lead to fraud like high turnover of management in key roles, lack of segregation of duties, and complex transactions or organizational structures.

Turner, Mock, Srivastava(2003) also concur with other authors that even if a person has a motive/pressure, he cannot commit fraud if no opportunities that are created, for example, if there is a poor job division, a large number of complex transactions completed, a poor internal control, the audit is not performed on a regular basis, and the like. However, most authors believe that the possibility is mostly affected by a poor control of the company's

assets, procedures and accounting, and if all the conditions for fraud are favourable to the employee, he will commit it.

2.3.3 Rationalization Factors

As for rationalization, Cressey as cited by Rasha and Andrew (2012), believed that most fraudsters are first-time offenders with no criminal record. They see themselves as ordinary, honest people who are caught in a bad situation. This enables them to justify the crime to themselves in a way that makes it acceptable or justifiable. Cressey as cited by Rasha and Andrew (2012) found that, “in the interviews, many trust violators expressed the idea that they knew the behavior to be illegal and wrong at all times and that they merely kidded themselves into thinking that it was not illegal.”

According to Duffield, Grabosky(2001), rationalization is often described as a kind of personal excuse for committing fraud and is defined as “borrowing”, “no one will suffer”, “company executives deserve even more, because they exploit me”, “this is for a noble purpose”, “we need to keep the stock price high”, all companies use aggressive accounting practices or it is for the good of the company etc.

2.3.4 Integrity Factors

While rationalization is a justification of fraudulent behavior as a result of an employee’s lack of personal integrity, or other moral reasoning Rae and Subramaniam (2008). Implying that lack of integrity can cause an employ to commit fraud as moral and ethical norms play essential roles in an individual’s decisions and judgment. The integrity is observed both through a person’s decisions as well as the decision-making process. The level of the person’s commitment to ethical decision-making can be observed and this can help in assessing integrity and thus, reducing the likelihood of committing fraud Albrecht *et al*

(1984). Ethics relates to determining the rightness or wrongness of a behavior in terms of organizational, legal, or societal guidelines. It is important to note that individuals with low levels of ethical development have been found to be more likely to commit fraud than those with higher levels; those with higher levels of ethical development were still found to be capable of committing fraud, but not under the same conditions as those with lower ethical development (Appelbaum et al., 2006).

2.3.5 Capability Factors

The potential perpetrator must have the skills and ability to actually commit fraud. Wolfe and Hermanson (2004) identified four observable traits related to individuals' capacity to commit fraud. These skills and abilities are exercised through various situations, firstly if the perpetrators have an authoritative position within the organization. Secondly, is when the perpetrator has capacity to understand and exploit the accounting and internal control systems weaknesses to the greatest advantage. The third situation is when the perpetrator has the confidence that fraudulent behaviors will not be detected. Finally is when the perpetrator has the capability to effectively deal with stress in order to manage the fraud over a long period of time.

2.4 Classification of Fraud

Nahariah (2009) classify fraud into two; fraudulent financial reporting (management fraud) and misappropriation of assets (employee fraud). Other authors such as Albrecht (2004) gave two different classifications, firstly fraud towards an organization (occupational fraud), and secondly fraud committed on behalf of an organization (fraudulent financial statements).

Fraudulent statement is falsifications of an organization's financial statements. It involves intentional misstatement of certain financial values to enhance the appearance of profitability and financial position of a company to deceive shareholders or creditors. The terms financial statement fraud and management fraud have been used interchangeably primarily because management is responsible for producing reliable financial reports and the fair presentation, integrity and quality of the financial reporting process is the responsibility of management (Rezaee, 2002).

Asset misappropriation is theft or misuse of organizational assets. These assets can be in form of cash, inventory, equipment and also appropriate company services. This is when one used company time for personal duties (ACFE 2012).

Corruption is the wrongful use of influence in a business transaction in order to procure some benefits for ones self contrary to their duty to the employer or the rights of another. Examples include: "Side agreements" involving undisclosed rebates or kickbacks, and bid-rigging, bribery, and extortion.

ACFE (2012) then take a stand in defining occupational fraud as the use of one's occupation for personal enrichment through deliberate misuse or misapplication of the employing organization's resources or assets.

2.5 Types of Fraud

According Albretch and Albrecth (2008), fraud is classified into five types. Firstly there is embezzlement employee fraud which is committed by subordinates to superiors directly or indirectly. Secondly there is management fraud which is committed by top management to

shareholders, creditors and other parties who rely on the financial statements. They misrepresent on financial information. Investment Scams Fraud is the third type of fraud committed by the individual / individuals to investors and is done by tricking or deceiving investors with a way to invest their money in investments.

Fourthly, vendor fraud is committed by organizations or individuals that sell goods or services to the organization or company that sells goods or services. This is done by placing the organization exorbitant prices for goods and services or the lack of delivery of the goods even though payment has been made. Finally customer fraud, it is carried out by the customer to the organization that sells goods or services. This is done lying to customers by way of the seller to deliver to customers who are not supposed to or accuse the seller delivers less than it should.

2.6 Effects of Fraud

According to Freedman (2014) fraud can have a substantial impact on a business, no matter what size it is. If the crime is large enough, the business may be forced to close or the company may be wound up, in which case employees may lose their livelihoods and shareholders may lose all or part of their investment. Fraud directed at organizations within the public sector has a direct impact on government revenue. Clearly, crimes that are directed at organizations initially affect particular individuals and, eventually, the whole community.

In agreement Mouton (2013) also noted that the effects of fraud can be devastating and the results can have deep consequences for the marketplace, organization, employees, clients and suppliers. It has resulted in financial losses arising from fraudulent activity leading to redundancies, factory closures, the loss of business opportunities or even business failure.

The misappropriated funds might otherwise have been used to re-invest in the business, to build new facilities, create employment or develop better products and services.

The two most basic types of fraud are misappropriation of assets by employees and fraudulent financial reporting by management, the first type of fraud often happens without management knowledge, and the second type is often unknown to employees. Both can devastate a company in several ways.

Financial loss is an obvious effect of both types of fraud. It can be in terms of funds or equipment. When someone misappropriates company assets, the loss is fairly easy to quantify Freedman(2013). For example, if a cashier takes \$60 from the cash register, the company loses \$60. The costs of fraudulent financial reporting are harder to determine.

Once a fraud has been uncovered, the company faces an ongoing problem of public trust in the organization Freedman(2013) known as external confidence. While a small business scandalized by fraud might never be the victim or perpetrator of another fraud, its public image might be irreparably tainted. As a consequence, the company may have to pay a higher price for credit, may be refused membership in trade associations or might not be considered for a strategic alliance. The share price may also be affected adversely if the fraud is of a sufficient level or indicative of weak internal controls. The impact of fraud may affect also the long term perceptions of the reliability of an organization may be negatively affected and so deter future clients or customers.

Businesses that are subject to audit and have experienced fraud, especially if the fraud was perpetrated by company management, are likely to be assessed as a high audit risk

Freedman(2013). This means auditors will closely scrutinize company books before signing off on a company's financial statements. When an auditor is required to perform more procedures, the cost of the audit will increase. This can often be mitigated by demonstrating that the offending managers or employees have left the company and the company has instituted strict procedures to thwart future attempts at fraud.

The effect of fraud on a company's culture and morale can be shattered. Any association with a company that has perpetrated or suffered fraud can be troubling and embarrassing for the people who work there Freedman(2013). This may be especially true in a small-business setting where workers feel more connected with one another. Even if employees leave the company, they may carry an association with a fraudulent company into their next place of employment, even if they were not involved with the fraud at all.

Internal trust of existing employees may be damaged, especially if concerns have not been sufficiently followed up in the past. Future recruitment and retention of staff may be an issue dependent upon the size of fraud, or if action is not taken following the discovery of fraud. Fraud clearly doesn't just affect everyone, but it hurts most of them too. Unchecked, fraud has the potential to lead to dire personal financial consequences and, in extreme cases, even bankruptcy.

2.7 Conclusion

The chapter reviewed the literature related to the current study. Fraud has not only been caused by perceived opportunities and lack of integrity. Though emphasis has been to acknowledge these factors also play a vital role in the ignition of fraudulent behaviour to an

employee in an organization. The literature reviewed includes the pivotal role of the Fraud Triangle in trying to understand the reasons why employees commit fraud. Mentioning, the three elements that are necessary for theft or fraud to occur which are pressure, opportunity and rationalization and that the severity of fraud depends on the strength of each element.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research methodology used to undertake the study. The chapter covers, research philosophy, research design, study population, sampling and sampling design, data sources, data collection instruments, measurement of variables, validity of instruments, data processing and analysis and limitations of the study.

3.1 Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. Implying that it can influence the way in which the research is undertaken, from design through to conclusions. There are three major ways of thinking about research philosophy which are epistemology, ontology and axiology(Saunders, Lewis and Thornhill 2011). The term epistemology constitutes of the acceptable knowledge in a field of study. Ontology is concerned the nature of reality which involves the aspect of objectivism and subjectivism. Axiology is a branch of philosophy that studies judgements about values.

The researcher used the philosophy of positivism which is supported by the epistemological position. The philosophy of positivism is concerned with testing already existing theories that is considered as the acceptable knowledge. Through the philosophy of positivism data is collected about observable reality and a search for regularities and casual relationships to create law like generalization as those produced by scientists(Gill and Johnson 2010).

Therefore in this case the Fraud Triangle Theory(Cressy 1953) was tested by the researcher using the three factors of pressure, opportunity and rationalization, for the repeated increase

of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. Positivists believe that reality is stable and can be observed and described from an objective viewpoint (Levin, 1988), i.e. without interfering with the phenomena being studied.

3.2 Research Design

The researcher used the quantitative research method because it is generally associated with positivism especially used with predetermined and highly structured collection techniques (Saunders, Lewis and Thornhill 2011). Quantitative research is associated with a deductive approach focusing on using data to test theory. It also examines relationship between variables which are measured numerically and analyzed using a range of statistical techniques. The incorporation of controls to ensure validity data as in an experimental design is also evident in this method. Therefore this method was used test the relationship between the Fraud Triangle Theory using the factors of pressure, opportunity and rationalization and the increase of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

3.3 Population of Study

The study of the population comprised of Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. The population of the study was 11(eleven) Secondary Schools comprising of 42(forty-two) personnel. Only relevant personnel were given questionnaires to respond to, these were the Administrators and the Accounting staff. This population was sought for in this study, because it had been exposed mostly of employees who were entrusted with organizational assets. Vona (2008) believed that a person's position in the organization contributes to the opportunity to commit fraud and the ability to conceal it.

3.4 Data sources

The data sources that were used in this study comprised of both primary and secondary data.

3.4.1 Primary Data

Primary data is the use of new data that has been collected specifically for the research project undertaken (Saunders, Lewis and Thornhill 2011). Sources of the data can be through interviews, observation and questionnaires. The primary data for the research was obtained from respondents using questionnaires administered to school administrators, accounting staff in Seventh Day Adventist Secondary in Central Zimbabwe Conference.

3.4.2 Secondary Data

Secondary data is the use of data that has been already collected for another purpose(Saunders, Lewis and Thornhill 2011). Once obtained, this data can be further analyzed to provide additional or different knowledge, interpretations or conclusions (Bulmer et al. 2009). The secondary data was collected through the Audit reports by Central Zimbabwe Conference Internal Auditors and General Conference Auditing Services (external auditors).

3.5 Sample and Sampling technique

Looking at the Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference it is manageable that the research was able to cover all the institutions without making a sample. Occasionally, it may be possible to collect and analyze data from every possible case (Saunders, Lewis and Thornhill 2011). Saunders (2007) further noted that the correct sample size in a study is dependent on the nature of the population to be sampled. The larger the sample size, the lower the likely error in generalizing to the population. Therefore by using

the whole population gives more accurate results. The researcher used a total population of 11(eleven) schools. The number of the respondents that were used were 6(six) respondents from each Boarding Secondary School as follows; the Headmaster, Deputy Headmaster, Chief Finance Officer, Accountant, Accounts clerk and the Receipting Clerk. There were 3(three) respondents from each Day Secondary School as follows; the School Head, the Deputy Head and the Accounts clerk, giving a total number of respondents to 42(forty-two).

3.6 Data collection instrument

A self- administered, structured questionnaire was used. A research instrument must be assessed prior to use for both validity and reliability (Rubin and Babbie 1993). The questionnaire comprises of two parts. Part one is on demographic information and part two consists of fraud questions which required answering using a range from 1-strongly disagree to 5-strongly agree. Closed questions were used relating to reasons why people commit fraud. These questions are linked to the three elements of the Fraud Triangle that when combined cause an employee to commit fraud. These elements are pressure, opportunity and rationalization. The questionnaire is prepared in English.

3.7 Measurement of variables

The likelihood of fraud to occur was measured by the existence of the three factors present in the Fraud Triangle of pressure, opportunity and rationalization. There is no single factor that causes employees to commit fraud. Instead, there is a complex set of motivators that, when combined in the right environment, produce the impetus for an employee to begin committing fraud (small business fraud 2010:7). The strength of each of the three factors in each response will determine the severity of the fraud Albrecht, Hill, and Albrecht (2006). The questions were framed according to each category that was addressing each factor.

3.8 Validity and reliability of the instrument

Validity is the extent to which data collection methods accurately measure what they intend to measure. While reliability is the extent to which data collection techniques will yield consistent findings, similar observations would be made or conclusion reached by other researchers(Saunders, Lewis and Thornhill 2011). The validity and reliability of the instrument give credibility to the research findings.

3.8.1 Validity of the instrument

A pre-test of the research instrument to establish its validity was done. The instrument was sent to 10(ten) Primary Schools to establish the validity and reliability of the instrument used for this study. Thirty(30) questionnaires with relevant closed questions were distributed to the administrators and accounts staff.

3.8.2 Reliability of the instrument

Reliability of the questionnaire questions were tested using the Cronbach's alpha coefficient. The reliability of the questions used to assess the increase of fraud had values above 0.7 which is recommended by Nunnally & Bernstein (1994). Pressure factors questions had a reliability value of 0.571 which was below the recommended. The researcher therefore increased the scale items to increase the reliability of the pressure factors question construction (Gulliksen,1950). The reliability values of the study range from 0.571 to 0.941 as shown in table 1 below.

Table 1: Reliability Analysis

| Variable | Alpha Cronbach's Coefficient |
|-------------------------|-------------------------------------|
| Pressure Factors | 0.571 |
| Opportunity Factors | 0.941 |
| Rationalization Factors | 0.747 |

This indicated that the instrument used to collect data from the respondents was dependable, reliable and yielded good results. Therefore the results and conclusions of this study can be a basis for decision making.

3.9 Data processing and analysis

The data collected was edited, coded, and analysed to identify the relationship between the independent and dependent variables. Analysis of the data collected was done using Statistical Package for Social Scientists (SPSS 20). Descriptive statistics were used to explain the strength and nature of the relationships, predictability and variability between the variables under study. The average score used to determine the overall view of respondents for each factor as a measure of the central tendency.

3.10 Limitations to the study

This study was carried out in the Secondary Schools of Central Zimbabwe Conference. This study could have included Primary Schools, owing to the limited time since the researcher is on full time employment and part time university student. The geographical distances, was also a limiting factor it was very costly to reach some of these institutions as a result of poor infrastructure. Therefore researcher focused on the eleven (11) Secondary Schools.

3.11 Summary

This Chapter outlined the methodology that was employed in investigating the problem. The study was based on the positivism philosophy and used the quantitative research method.

The entire population of 11(eleven) secondary schools was used represented by 42(forty-two) respondents comprising of administrators and accounting staff. A closed question

questionnaires, was the instrument used to these respondents. The Chapter also discussed how the data was collected, managed, processed and analyzed.

CHAPTER FOUR: PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter comprehensively covers the presentation, interpretation and analysis of findings of the study. These findings are in alignment with the study objective which is establishing the relationship between the Fraud Triangle and the increase of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. Inferences, meanings and implications were drawn from the data analysis and compared with related literature which was discussed in Chapter Two.

4.2 Demographic characteristics

The respondents' demographic features included four key characteristics which were: gender, age, academic qualification and the duration the respondent has been employed by the institution.

4.2.1 The Response rate

A total of 42(forty-two) questionnaires were administered to the Headmaster, Deputy Headmaster, Chief Finance Officer, Accountant, Accounts clerk and the Receipting Clerk. It was expected that 36 questionnaires would be returned to account for the 86%. At the end of the data collection exercise, a total of 33 questionnaires had been collected, showing a response rate of 79%. This is summarised by the table 2 below

Table 2 -Table of Response rate

| | Institution | Questionnaires sent | Expected Collection | Actual Collection | Response rate Actual collection % |
|----|-------------|---------------------|---------------------|-------------------|-----------------------------------|
| 1 | School 1 | 6 | 6 | 5 | 83% |
| 2 | School 2 | 6 | 6 | 5 | 83% |
| 3 | School 3 | 6 | 6 | 4 | 67% |
| 4 | School 4 | 3 | 3 | 3 | 100% |
| 5 | School 5 | 3 | 3 | 3 | 100% |
| 6 | School 6 | 3 | 3 | 3 | 100% |
| 7 | School 7 | 3 | 3 | 2 | 67% |
| 8 | School 8 | 3 | 3 | 3 | 100% |
| 9 | School 9 | 3 | 3 | 2 | 67% |
| 10 | School 10 | 3 | 0 | 3 | 100% |
| 11 | School 11 | 3 | 0 | 0 | 0% |
| | Total | 42 | 36=86% | 33 | 79% |

Source :Primary data

4.2.2 Gender of respondents

Table 3: Gender of Respondents

Gender of respondent

| | Frequency | Percent | Valid Percent | Cumulative Percentage |
|---------------|-----------|---------|---------------|-----------------------|
| Male | 22 | 66.7 | 66.7 | 66.7 |
| Female | 11 | 33.3 | 33.3 | 100 |
| Total | 33 | 100 | 100 | |

Source; Primary data

Table 3 above shows that these institutions are dominated by males. The male respondents accounted for 66.7% while the females accounted for 33.3%. This marginal difference between males and females could imply the level of involvement in fraudulent activities.

4.2.3 Age of the respondents

Table 4: Age of Respondent

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|---------------------|------------------|----------------|----------------------|---------------------------|
| 20-29years | 3 | 9.1 | 9.1 | 9.1 |
| 30-40 years | 8 | 24.2 | 24.2 | 33.3 |
| 41-50 years | 16 | 48.5 | 48.5 | 81.8 |
| 51 and above | 6 | 18.2 | 18.2 | 100 |
| Total | 33 | 100 | 100 | |

Source; Primary data

The majority of the respondents were found within the age bracket of 30 years and above, and those below 51 years as illustrated by Table 4. This age group contributed 72.7% of the total respondents. The total respondents were made up those who were 20-29 years bracket who contributed 9.1%, those who were part of the 30-40years age group who contributed 24.2%, those who were in 41-50 years bracket contributed 48.5% and those who were above 51 years accounted for 18.2%. The overall intuition is that the institutions are dominated by those within the age range of 30-50 years. However, there are also signs of involvement of other age groups like 20-29years and above 51 years but these are to a lesser extent.

4.2.4 Academic Qualification of the Respondents

Table 5: Level of Education of Respondent

| | Frequency | Percent | Valid Percent | Cumulative Percentage |
|--------------------|------------------|----------------|----------------------|------------------------------|
| Certificate | 4 | 12.1 | 12.1 | 12.1 |
| Degree | 18 | 54.5 | 54.5 | 66.7 |
| Masters | 8 | 24.2 | 24.2 | 90.9 |
| Other | 3 | 9.1 | 9.1 | 100 |
| Total | 33 | 100 | 100 | |

Source; Primary data

The level of education of the respondents revealed that, most respondents in the institution had a degree. This accounted for more than half of the total respondents which accounted for 54.5% of the total respondents. This was then, followed by those respondents with masters which accounted for 24.2%. Certificate and others followed and had a contribution of 12.1% and 9.1% respectively. This implies that the majority of the responded have been formally educated and have the basic knowledge to run the institutions.

4.2.5 Years of Service

Table 6: Years of Service

| | Frequency | Percent | Valid Percent | Cumulative Percentage |
|-----------------------|------------------|----------------|----------------------|------------------------------|
| Below 5years | 11 | 33.3 | 33.3 | 33.3 |
| 5-10 years | 12 | 36.4 | 36.4 | 69.7 |
| 11-15 years | 4 | 12.1 | 12.1 | 81.8 |
| Above 15 years | 6 | 18.2 | 18.2 | 100 |
| Total | 33 | 100 | 100 | |

The information in table 6 above considers for how long the respondents have been working for the institutions. It was ascertained that the majority of 69.7% had been employed for 10 years and below. Those that had been working for 11-15 years contributed to 12.1% of the total respondents. Those who worked for 16 years and above also accounted 18.2% .It could possibly mean that most respondents have an average working experience since they have been working in these institutions for a very long time.

4.3 Analysis of Questionnaire responses

4.3.1 Pressure factors

Table 7- Pressure Factors on Descriptive Statistics

| | N | Min | Max | Mean | Std Deviation |
|---|----|------|------|--------|---------------|
| I borrowed a bank loan | 33 | 1.00 | 5.00 | 2.2121 | 1.59604 |
| I am satisfied with my accomplishments in life | 33 | 1.00 | 5.00 | 3.5455 | 1.37138 |
| I have steadily recovered financially from 2008 hyperinflationary environment | 33 | 1.00 | 5.00 | 3.7273 | 1.06867 |
| I have friends with whom I share problems with | 33 | 1.00 | 5.00 | 3.9091 | 1.15552 |
| I prioritize maintaining my group status | 33 | 1.00 | 5.00 | 3.2727 | 1.17985 |
| I am satisfied with my working conditions | 33 | 1.00 | 5.00 | 3.5455 | 1.3484 |
| I get a bonus every year | 33 | 1.00 | 5.00 | 3.1818 | 1.42422 |
| I am an addict of some illegal activities | 33 | 1.00 | 5.00 | 1.8485 | 1.3491 |
| All my family members are in good health | 33 | 1.00 | 5.00 | 3.0000 | 1.2500 |
| Average | | | | 3.1381 | 1.3048 |

Source: Primary Data

Table 7 shows the results of pressure factors that might probably lead an employee to be involved in fraudulent activities in the institutions. The results indicated that almost half of the respondents were not under pressure since the mean was over 3.5 which is the minimum required. With the exception of those who responded to the following questions “I borrowed a bank” which had a mean of 2.2121 and a standard deviation of 1.59604, “I prioritize maintaining my group status” which had a mean 3.2727 and a standard deviation of 1.17985, “I am an addict of some illegal activities” which had a mean 1.8485 and “All my family members are in good health” which had a mean 3.000 and a standard deviation of 1.2500.

All these response which have a mean below 3,5 interpret the existence of pressure factors in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. This conforms with the theory of the Fraud Triangle that pressure as a result of non-sharable financial problems results from difficulty to payback debt, problems resulting from personal failure, business reversals, physical isolation, status gaining and employer-employee relations Cressey as cited by Wells (2011)

The standard deviation show varied responses to the questions implying that others agree while others disagree and are not sure. The lowest mean in this group is 1.8485 of employees being addicts of illegal activity. This can be interpreted as one of the major factors of pressure that can lead employees to commit fraud

4.3.2 Opportunity factors

In reference to Table 8 below results show that most responses had a mean above 3.5. This implies that most internal control requirements were adhered to by the institutions. Reducing any weaknesses in the systems, that could lead an employee to commit fraud. But however there were some questions which were below the minimum mean require. These were “The computer systems are not easily accessible” it had a mean of 3.0303 and standard deviation of 1.61022, “Audits done every year” had a mean of 3.3939 and standard deviation of 1.32144, “There is an asset register” which has a mean of 3.1515 and standard deviation of 1.46033, “There is a provision for handover and takeover when I am on leave” the mean is 3.09090 and the standard deviation of 1.37758.

These responses that have a mean below 3.5 show the existence of opportunity factors that can lead an employee to commit fraud in Seventh Day Adventist Secondary Schools in

Central Zimbabwe Conference. This also agrees with Fraud Triangle Theory that concept of perceived opportunity suggests that people will take advantage of circumstances available to them (Kelly & Hartley, 2010).

The standard deviation shows varied responses to the questions meaning that others agreed while other disagreed and other are not sure. The lowest mean was 3.0303 which was computer accessibility. This implies that there are inadequate controls put in place towards the accessibility to the computer to avoid fraudulent activities by employees.

Table 8- Opportunity Factors on Descriptive Statistics

| | N | Min | Max | Mean | Std Deviation |
|--|----|------|------|--------|---------------|
| There is segregation of duties in the institution | 33 | 1.00 | 5.00 | 3.7576 | 1.17341 |
| The keys to the cash boxes are kept by the custodians | 33 | 1.00 | 5.00 | 4.2121 | 1.24392 |
| The computer systems are not easily accessible | 33 | 1.00 | 5.00 | 3.0303 | 1.61022 |
| All authorizations regarding financial activities are done through signing | 33 | 1.00 | 5.00 | 4.3636 | 0.92932 |
| All journal vouchers have proof of authorization and approval | 33 | 1.00 | 5.00 | 4.3333 | 0.92421 |
| Job descriptions are given to all workers | 33 | 1.00 | 5.00 | 4.2424 | 0.75126 |
| There is an approved fee structure | 33 | 1.00 | 5.00 | 4.697 | 0.52944 |
| There is an approved School budget | 33 | 1.00 | 5.00 | 4.3333 | 1.02062 |
| There is an approved Salary Audit | 33 | 1.00 | 5.00 | 3.5758 | 1.45839 |
| There is an enrolment register by Form and Gender | 33 | 1.00 | 5.00 | 3.7879 | 1.2688 |
| All workers have completed a conflict of interest statement | 33 | 1.00 | 5.00 | 4.5152 | 0.83371 |
| Audits are done every year | 33 | 1.00 | 5.00 | 3.3939 | 1.32144 |
| There is an asset register | 33 | 1.00 | 5.00 | 3.1515 | 1.46033 |
| Vouchers are checked and supervised when posting | 33 | 1.00 | 5.00 | 4.0303 | 1.07485 |
| Blank cheques are not signed in advance | 33 | 1.00 | 5.00 | 3.8788 | 0.92728 |
| Budgets are reviewed for over-runs | 33 | 1.00 | 5.00 | 3.7273 | 1.17985 |
| Bank reconciliation are done promptly | 33 | 1.00 | 5.00 | 3.4848 | 1.12142 |
| There are developments in the infrastructure of the institution | 33 | 1.00 | 5.00 | 3.9091 | 0.97991 |
| Sufficient back-ups are attached to all journal vouchers | 33 | 1.00 | 5.00 | 4.0606 | 1.08799 |
| Original and authentic receipts are used for claims | 33 | 1.00 | 5.00 | 3.7576 | 1.11888 |
| Disposal of Assets is by board action | 33 | 1.00 | 5.00 | 3.8788 | 0.96039 |
| Purchases of asset of capital nature is by board action | 33 | 1.00 | 5.00 | 3.7576 | 1.14647 |
| There are qualified people only for different jobs | 33 | 1.00 | 5.00 | 3.9394 | 0.93339 |
| There is a provision for handover and take over when I am on leave | 33 | 1.00 | 5.00 | 3.0909 | 1.37758 |
| Proper hand over and take over is done when I come back from leave | 33 | 1.00 | 5.00 | 3.7576 | 1.11888 |
| Accounting information is reviewed monthly | 33 | 1.00 | 5.00 | 3.6667 | 1.05079 |
| Students receive statements every term | 33 | 1.00 | 5.00 | 3.6061 | 1.2232 |
| All workers receive statements every month | 33 | 1.00 | 5.00 | 3.8485 | 1.25303 |
| Average | | | | 3.8496 | 1.10996 |

Source: Primary data

4.3.3 Rationalization factors

Table 9-Rationalization Factors on Descriptive Statistics

| | N | Min | Max | Mean | Std Deviation |
|--|----|------|------|--------|---------------|
| I borrow unauthorized cash | 33 | 1.00 | 5.00 | 1.6364 | 1.16775 |
| I am paid for overtime | 33 | 1.00 | 5.00 | 1.9091 | 1.35471 |
| Discipline is exercised to those who abuse organizational assets | 33 | 1.00 | 5.00 | 3.5152 | 1.41689 |
| The School is complying to all Government regulations | 33 | 1.00 | 5.00 | 3.8485 | .79535 |
| I view use of unauthorized assets as a crime | 33 | 1.00 | 5.00 | 4.2424 | 1.17341 |
| I view taking of unauthorized assets is a crime | 33 | 1.00 | 5.00 | 4.3030 | 1.10354 |
| I receive a fair salary and benefits | 33 | 1.00 | 5.00 | 3.0909 | 1.44403 |
| My family is well taken care of by salary and benefits | 33 | 1.00 | 5.00 | 3.2424 | 1.25076 |
| Working policy is fair | 33 | 1.00 | 5.00 | 3.6970 | 1.23705 |
| Average | | | | 3.2761 | 1.21594 |

Source: Primary data

Table 9 above show that more half of the responses have mean which is above the require 3.5. The variation of standard deviation portrays that some respondents agreed and others disagreed. However there were some questions that had a mean below the required. These were “I borrow unauthorized cash” which had a mean of 1.6364 and a standard deviation of 1.16775, “I am paid for overtime” which had a mean of 1.9091 and a standard deviation of 1.33471, “I receive a fair salary and benefits” with a mean of 3.0909 and standard deviation of 1.44403, “My family is well taken care of by my salary and benefits the mean is 3.2424 and the standard deviation is 1.25076.

The respondents that have a mean below 3.5 shows, the presence of the rationalization factors in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. This has been supported by the Fraud Triangle theory that rationalization is justification that the unethical behavior is something other than criminal activity (Cressey 1953). The lowest mean is 1.6364 which is for using authorized cash. Respondents used unauthorized cash and viewed it has no crime.

4.4 Summary

In this chapter the results of the study has been presented, and analyzed. The basis for the presentation used was the research objective. This was to establish the relationship between the Fraud Triangle and the increase of fraud cases in the institutions. The analysis indicated that the relationship existed. It was confirmed by presence of the three factors of pressure, opportunity and rationalization in the responses.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the discussion of the research findings, conclusions, recommendations from the study and suggestion of areas for further study. The discussions, conclusions and recommendations were made in reference to the research objectives.

5.2 Discussion

5.2.1 Relationship between the Fraud Triangle and the increase of fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference

The findings reveal that there is a positive relationship between the Fraud Triangle and the increase of fraud cases in the institutions. In the responses all the three factors of the Fraud Triangle of pressure, opportunity and rationalization were present in all the findings.

The pressure factors had an average mean of 3.1380 which is below the recommended 3.5 indicated there are some pressure factors that existed in the schools, while the average standard deviation of 1.30480 indicates the variation of responses by the respondents. As for the opportunity factors they had an average mean of 3.84957 which is above the 3.5 minimum required implying that most respondents complied with the internal control systems of the institutions but not all of them as illustrated in table 8. The few internal control systems that were not adhered to by the respondents, may also have a significant influence on an employee to commit fraud. Therefore this signifies the existence of opportunity factors in the institutions. The average standard deviation of 1.10996 the variation of responses among respondents that some agreed, some disagreed and others not sure. Rationalization factors had an average mean of 3.2761 less than the minimum required of 3.5. Implying, the existence of rationalization factors in the schools and an average standard deviation of 1.21594 indicating the variation of responses by the respondents.

Although the findings were not significantly of high levels comparing with the minimum mean required their existence alone may cause an employee to commit fraud. To concur with the findings the traditional fraud theory states that there are three conditions that must exist if fraud is to occur (Cressey, 1953) and they were all in existence.

5.3 Conclusions

The factors of the Fraud Triangle have been attributed to have influenced the increase of repeated fraud cases in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference. After testing the presence of pressure, opportunity and rationalization factors in the institutions, it was found that they existed. Although they existed their levels were not significantly high. With reference to the opportunity factors the findings show that most internal control systems were implemented although a few were not complied. As for pressure and rationalization factors the findings reveal that the results were moderate implying that those who conformed to these factors were almost equal to those who did not conform. Therefore the existence of the three factors of pressure, opportunity and rationalization has led the researcher to conclude that this has influenced the increase of fraud cases in the institutions.

5.4 Recommendations

1. The management of the institutions must continue take control of fraud by working on the portion of the fraud triangle over which they have the most control which is the opportunity to commit fraud. It may be difficult for management to do anything about an employee's needs or rationalizations, but by limiting opportunities for fraud, the company can reduce it.

2. Seminars should be organized by management for key workers in schools in order sensitize them on fraud and its consequences both to the employee and to the organization.
3. The remuneration committee should review the salary and benefits of employees if they are reasonable.

5.5 Areas of further study

1. More studies can be done to find out why employees commit fraud by also testing the Fraud Scale and the Fraud Diamond in the Adventist schools.
2. The same study can be carried out in other schools other than Adventist schools

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Appendices

Appendix A: Questionnaire

Midlands State University

Master of Commerce in Accounting

This questionnaire is to be filled in by school administrators and accounting staff operating in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference.

Dear Sir/Madam

This questionnaire is designed to collect information on “**Fraud in Seventh Day Adventist Secondary Schools in Central Zimbabwe Conference**” which is submitted in partial fulfillment of the requirement of the Master of Commerce in Accounting Degree.

I would be grateful if you could spare a few minutes and attend to my questionnaire. The information that you are to provide would go a long way towards the success of my research, responses would be treated with utmost confidentiality and would be used solely for academic purposes.

SECTION I

Demography

Please put a tick [] in the appropriate box

1. Gender: Male[] Female[]

2. Age: 20-29 years []

30-40 []

41-50 []

51 and above []

3. Academic Qualification:

Certificate []

Degree []

Masters []

Other [] Specify.....

4. How long have you served at your current institution?_____

SECTION II

Please put a tick [√] in the box that best rates your agreement by using the scale described below.

Scale: 1 – Strongly Disagree(SD) 2 – Disagree(D) 3 –Not Sure(NS) 4 –Agree (A) 5 – Strongly Agree (SA)

| | | SD | D | NS | A | SA |
|----------|---|----|---|----|---|----|
| A | Pressure Factors | 1 | 2 | 3 | 4 | 5 |
| 1 | I borrowed a bank loan | | | | | |
| 2 | I am satisfied with my accomplishments in life | | | | | |
| 3 | I have steadily recovered financially from 2008 hyperinflationary environment | | | | | |
| 4 | I have friends with whom I share problems with | | | | | |
| 5 | I prioritize maintaining my group status | | | | | |
| 6 | I am satisfied with my working conditions | | | | | |
| 7 | I get a bonus every year | | | | | |
| 8 | I am an addict of some illegal activities | | | | | |
| 9 | All my family members are in good health | | | | | |
| B | Opportunity Factors | | | | | |
| 10 | There is segregation of duties in the institution | | | | | |
| 11 | The keys to the cash boxes are kept by the custodians | | | | | |
| 12 | The computer systems are not easily accessible | | | | | |
| 13 | All authorizations regarding financial activities are done through signing | | | | | |

| | | | | | | |
|----------|--|--|--|--|--|--|
| 14 | All journal vouchers have proof of authorization and approval | | | | | |
| 15 | Job descriptions are given to all workers | | | | | |
| 16 | There is an approved fee structure | | | | | |
| 17 | There is an approved School budget | | | | | |
| 18 | There is an approved Salary Audit | | | | | |
| 19 | There is an enrolment register by Form and Gender | | | | | |
| 20 | All workers have completed a conflict of interest statement | | | | | |
| 21 | Audits are done every year | | | | | |
| 22 | There is an asset register | | | | | |
| 23 | Vouchers are checked and supervised when posting | | | | | |
| 24 | Blank cheques are not signed in advance | | | | | |
| 25 | Budgets are reviewed for over-runs | | | | | |
| 26 | Bank reconciliation are done promptly | | | | | |
| 27 | There are developments in the infrastructure of the institution | | | | | |
| 28 | Sufficient back-ups are attached to all journal vouchers | | | | | |
| 29 | Original and authentic receipts are used for claims | | | | | |
| 30 | Disposal of Assets is by board action | | | | | |
| 31 | Purchases of asset of capital nature is by board action | | | | | |
| 32 | There are qualified people only for different jobs | | | | | |
| 33 | There is a provision for handover and take over when I am on leave | | | | | |
| 34 | Proper hand over and take over is done when I come back from leave | | | | | |
| 35 | Accounting information is reviewed monthly | | | | | |
| 36 | Students receive statements every term | | | | | |
| 37 | All workers receive statements every month | | | | | |
| C | Rationalization Factors | | | | | |
| 38 | I borrow unauthorized cash | | | | | |
| 39 | I am paid for overtime | | | | | |
| 40 | Discipline is exercised to those who abuse organizational assets | | | | | |
| 41 | The School is complying to all Government regulations | | | | | |

| | | | | | | |
|----|--|--|--|--|--|--|
| 42 | I view use of unauthorized assets as a crime | | | | | |
| 43 | I view taking of unauthorized assets is a crime | | | | | |
| 44 | I receive a fair salary and benefits | | | | | |
| 45 | My family is well taken care of by salary and benefits | | | | | |
| 46 | Working policy is fair | | | | | |

Other comments

.....
.....
.....

Thank you