

# The Impact of Management Control Systems on Limiting Fraudulent Practices in Manufacturing Companies

Tariq Hani Mohammed Dorgham<sup>1\*</sup>, Nabil Bashir Al-Halabi<sup>2</sup>, Mohammed Musa Shanikat<sup>3</sup>

1. Department of Accounting, Applied Science University, Postal code 11931, Amman, Jordan

2. Department Of Accounting, Amman Arab University. Amman, Jordan

3. Department of Accounting, Al-Balqa Applied University, Postal code 19117, Al-Salt, Jordan

4. \*Email of the corresponding author: t.hanidorgham@yahoo.com

## Abstract

This paper aims to explore the impact of management control systems to limit the fraudulent practices from the auditee perspective at the Jordanian Industrial Sector. To realize the research goal, a questionnaire was developed and distributed to 250 individuals, whom they formed the study sampling unit, out of which, 228 were returned, and only 213 were statistically valid, hence, they were subjected to the statistical analysis using the statistical package of social science (SPSS), the researcher's adopted the descriptive analytical approach to analyze the gathered data, *the following results were approached:*

1. There is a statistically significant at ( $\alpha=0.05$ ) impact of the internal audit on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees".
2. There is a statistically significant at ( $\alpha=0.05$ ) impact for the internal control on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees.
3. There is a significant statistical differences at ( $\alpha=0.05$ ) between the internal control and the internal audit attributed to the auditee demographical characteristics (age, experience, position, academic qualification, income). As those characteristics plays a great deal in enhancing the skills and knowledge and motivating the perpetrator to weave a fraudulent scheme.
4. it was concluded that the management attitude towards the fraudulent practices is not with the acceptable level,
5. It was conclude that the Jordanian industrial companies can be viewed as a shallow market for fraudsters due to the available opportunities inherent within the internal audit and control systems, nevertheless the management pressure to commit fraud was found to be low.

*Several recommendations were introduced among of which are:*

- 1)The necessity to support the trend of having an independent internal auditor, in an attempt to empower them the authorizations needed to enhance their performance, thus being able to report any misleading actions freely.
- 2) Tightening the polices and procedure concerning the fraudulent practices at the Jordanian industrial companies, to an extent to reflect a strict tone at the top about any attempt to commit fraud.

**Keywords:** Internal Audit, Internal Control, Management Pressure, Management Opportunities, management Attitude.

## 1. Introduction

The origin of accounting principles is rooted way back in history, ever since Luca Pacioli laid the principles of bookkeeping in one of his chapters that was published thereafter in Nov. 10, 1494 to form his book titled "The Collected Knowledge of Arithmetic, Geometry, Proportion, and Proportionality" (DeSantis, 2013, Online). The accounting applications and implications evolved as time elapsed, similarly our professional ethics are much sharper today due to the reaped knowledge arising from the ongoing problematic issues facing the auditing field (Kleyman, 2006: P.1). Among various issues facing the auditing profession nowadays is fraud, which involves the notion of deliberately affecting or risking the belongings of others, their interest or rights in a certain property, using the inherent flexibilities that the applicable laws and standards accords with regard to such property(Ramage, 2005: pp:1-2). Therefore it can be said that fraud denotes a wide range of human behavior followed by the perpetrator to bypass the facts to reach his own endings (Calculated actions, Executive and employee collusion, innuendo, speech).Fraud is a "Generic term used to describe any deliberate action meant to deceive or mislead another person causing harm, injury, or damage" (Rezaee Zabihollah, 2002: P.2). To be on the same page, auditors need to distinguish between the sense of fraud from its legal and auditing perspectives, as what sounds a violation to laws, is not necessarily a manipulative action, therefore auditors must understand fraud in accordance with the scope of their work (Vona, 2011: P. 1,4).

The American Institute of Certified Public Accountants (AICPA), defined fraud in its statement of auditing standard No.99 (SAS No.99) As "An intentional act that results in a material misstatement in financial statement that are subject of an audit" (Cressy, et. al, 2012:P.156). Two types of Misstatements are relevant to the auditors considerations, they are: (A) misstatements arising from fraudulent financial reporting, or what so called financial statement fraud, which is defined as "Intentional misstatements or omissions of amounts or disclosures in financial statements designed to deceive the financial users" (Nguyen, 2008: P.7); (B) misstatements arising from misappropriation of assets: it is defined as "the theft of entity's assets that causes the financial statements in all material aspects, not to be in conformity with the generally accepted accounting principles - GAAP-".

Accordingly, fraud involves the theft of property, embezzlement of receipts, fraudulent payments (Wells, 2011:P. 380).

Based on the upper narrative format, it can be said that fraud is a learning process through which the potential perpetrator uses his cognitive stock about fraud enablers (the lack of oversight, passive tone at the top, his system knowledge, past experience, similar previous fraud incidents) to circumvent the oriented rules, regulations, accounting standards, and the laws in force, to approach a personal gain, or to relieve the surrounding pressure arising from the environment that the perpetrator coexist with. Accordingly, clicking a blind eye over the Cofactors of fraud will create an enormous passive financial impact as it moves ahead, which in turn attracted the attention of the authoritative and business parties, as they felt the need for a new techniques to face what's coming down the pipe lines -fraud- is worth being looked into. Therefore, This paper aims to explore the impact of management control systems to limit the fraudulent practices from the auditee perspective at the Jordanian Industrial Sector.

## 2. Literature Review

### 2.1 Who Commits Fraud

Fraud is a wrongdoing actions induced by various stimuli excreted from life aspects such as social, economical, cultural settings (Silverstone et.al, 2012: P.17). Accordingly, it can be said that if those stimuli paved their entrance to the working environment, where the greed of the human nature will start to weave a fraudulent scheme that meets the available deception factors, fraud will be the potential result in companies (Churchill, & Frankiewicz, 2006:P. 168). Therefore, it can be concluded that fraud is the result of ordinary people scams regardless of their job titles, designed in a way to defraud the employers. On the other hand, if we acknowledge that the accumulated potential results of fraud have an enormous impact on the economy, corporations, and individuals as cited by the collapse of such giant enterprises as Enron and WorldCom (Silverstone et.al, 2012: P.17), then it is vital to know why senior management, mid or lower management, and organization criminals tend to falsify financial statements and commit other frauds, as such course of action becomes an alternative for the following key reasons (Kranacher et.al, 2011: P.409): (1) to conceal true performance, (2) to preserve personal status/control, and (3) to maintain personal wealth/income.

### 2.2 Management Opportunity

The impact of fraud legislations extended to the auditee, As having a limited budgets turned the management into a new strategies to govern the fraudulent practice (Coenen, 2008: P.172). It can be said that the development of such strategies should take into consideration the inherent weakness of the management control in force, and rely on the cultural and ethical standards of the organization, since the control weaknesses can be viewed as a risk factor, therefore it can be concluded that the weaknesses are following an increasing trend due to the fact that firms are adjusting their internal control systems to meet the new complexities and divergence arising from the environment in which it operates under, thus creating further opportunities to commit fraud, because the adjusting process is made by human and eventually cannot cure the whole gaps of the systems in force. accordingly, management opportunity refers to the conditions or circumstances that allows the management to commit fraud, such as (Jackson et.al, 2009: P.16): (A) Lack of internal oversight. (B) Insufficient separation of duties. (C) Permissive or unprofessional environment (tone at the top). (D) Excessive trust in a certain employees. Some researchers brought together a theoretical concepts from organizational justice, internal control and fraud literature to develop two distinct models relating to employee fraud and the quality of internal control procedures (ICP) respectively (Rae & Subramaniam, 2008, p.104). Their findings indicated that the first developed model revealed that the quality of (ICP) has a moderate effect on the relationship between perceptions of organizational justice and employees fraud. Meanwhile, the second model indicated that (ICP) quality is significantly and positively related to three organizational key factors (the corporate ethical environment, training of Staff, Internal Audit Activity level).

On the other hand, fraud opportunity refers also to the position of trust in the organization and the skills required to burst forth the fraud scheme, therefore, the fraud prevention technique is usually focused to address the internal controls to minimize the fraud cases (Kranacher et.al, 2011: P. 204). (Haugen & Selin, 1999, P.340) presented some statistics of fraud growth and the associated cofactors, in the workplace, and how business can deter its occurrence,

in addition to common computer based fraud, technique and controls, they concluded that all types of managers need to be knowledgeable about their internal control system, since it is designed to trigger out any fraudulent scheme.

Based on the upper presentation, fraud can be perceived as an opportunistic technique waiting for the appropriate circumstances to be tailored, further the availability of a favorable opportunities increases as the fraudster position of authority to access the enterprises records and assets increases (Bartow & Biegelman, 2006: P.34-35). Hence, opportunity can be defined as “the ability to access to assets and/or the information that controls assets” (Hall, 2011: P.102). With such components in mind, the potential behavior is theft or fraud, as the latter usually arises from a genuine greed and must be concealed to ensure the survival of the opportunity that created it at the first place, meanwhile, theft usually arises from a genuine need (Van Esch, & Cascarino, 2007: P. 290). Some studies pointed out that the perpetrator's position (that is, employee, manager, executive/owner), gender, education level and the presence of accomplices (that is, collusion) appear to affect fraud losses when analyzed separately (Peltier-Rivest, & Lanoue, 2012, p. 54).

### *2.3 Management Pressure:*

Fraud Exacerbated with the complexities of the modern business environment causing a high difficulties to impose control over such behavior (Petrucci, 2013: P4). Among the various cofactors to fraud is management pressure, which can be perceived as the situational pressures derived from an influential cofactor imposed by the management surroundings, such as a sudden decrease in revenue and deterioration in the stock market price, unrealistic budgetary figures, financial pressure, that is, bonus plans depending on performance- (Braiotta et.al, 2010, P.287). Management pressure was defined as the situational pressure that creates the motives that lies behind the management behavior geared to alter the financial facts using their invested power to influence others (usually those whom they have access to information) to act in accordance to their desire (Jackson et.al, 2009, P.15). Other studies documented a Danish fraud scheme, where a large number of limited companies were stripped out from their assets, therefore, they explored the reason that lies behind such scheme that took place in a mature market that enjoys a strong corporate governance system and a low level of corruption (Jeppesen, & Møller, 2011, p. 32). They concluded that asset stripping may take place in a mature market economies to the extent that perpetrators are able to circumvent the corporate governance system by giving lawyers, public accountants and banks incentives to act less critically towards dubious business transactions (Op. Cite, p.32). A new line of study investigated the influence of individual factors, situational factors and ethical factors on academic dishonesty behavior of students in Pakistan (Ellahi et.al, 2013, P. 647). They found out that the individual, situational and ethical factors influences the rationalization of academic dishonesty, which in turn shapes the actual conduct of academic dishonesty (Op. Cite, p.467). Accordingly, management pressure can arise from various factors or enablers such as (Kranacher et.al, 2011, P.13): (A) Merely being greed, which is a typical attitude of the human nature, (B) Personal Financial Problems, such as high debt, schooling expenses, medical expenses, and investment losses, (C) Personal Vice Habits, such as gambling, alcohol, and drugs, (D) Working environment such as meeting the analysts expectation, deadlines, and qualifying for bonuses. Usually, pressure enablers are not static, since they affect the executives, middle and first line management, as well as employees' perceptions regarding the execution of their assigned targets, thus, the existence of such forces will affect the conduct of operations within an enterprise (Weil et.al, 2008: 447). It can be said that such factors can drive the management to circumvent the financial facts to enhance the financial performance of an enterprise, thus, the perceived image among stakeholders. Some argued that the development of a framework can identify three psychological pathways to fraud supported by multiple theories relating to moral intuition and disengagements, rationalization, and the role played by the negative consequences, the purposes of the developed framework were: (i) to bring the attention to the importance of ethical decision making, and (ii) increasing the understanding of psychology of committing fraud (Murphy & Dacin, 2011, p. 601). They concluded that there are three psychological paths within the attitude/ rationalization (lack of awareness, intuition coupled with rationalization, and reasoning) when the situational working environment predispose the appropriate opportunity, and incentive/ pressure to commit fraud (Op. Cite, p. 601). Further, they highlighted that those distinction are important to fraud prevention because they are driven by a different psychological mechanisms. On the other hand, Tran argued that the rhetorical interpretations of corruption may be analyzed through two different models, the social behavioral science and the legality paradigm, they were driven to the fact that Corporate corruptions are extremely common, but taboo to admit (Tran, 2008, p. 63).

### *2.4 Management Attitudes*

The term management attitude or the tone at the top level, refers to the management responses to the actual incidents of fraud, in other words, if management did not response appropriately to the previously committed fraudulent cases, then others may conclude that the issue is not taken seriously and they can get away with it (Skalak et. al, 2011: P.246). Management attitude was defined as “the tone at the top that refers to atmosphere created at workplace by the organization leadership” (Riley & Rezaee, 2010 : P.48). Some argued that the unethical leadership

in the companies is the major cause of financial accounting scandals, especially those that received a high publicity on the international level (Chen, 2010, p. 33). Chen concluded that a combination of CEO's narcissism, financial incentive, shareholders expectation and subordinate silence as well as CEO's dishonesty can reveal much of the findings highlighted in the recent high profile financial accounting scandals. Furthermore, Chen's results indicated that the nature and impact of ethical leadership depends on the institutional setting and can be expected to vary greatly in accordance to the country and culture.

The course of actions conducted throughout the organization is considered an extension to the perceived image about management behavior or the tone at the top, therefore, if fraud is comprehended as a zero-tolerance activity, then there is a very good chance for employees to act ethically and with integrity since any type of fraud will be sensed forbidden and the vice versa is true (Goldmann, 2009 : P10). Moreover, it is important that directors make an explicit view regarding their unacceptability of fraud, thus communicating it throughout the enterprise by setting a clear rigid rules (having a clear fraudulent policy, incorporating an ongoing fraud awareness, having a confidential "Whistle Blowing" procedure) regarding fraudulent practices (Morris et.al, 2009: P.587).

One major issue that cannot be overlooked when addressing management attitude is the personal characteristics of its members, that highlights their tendency to commit fraudulent practices, since such features influence their psychological behavior about fraud, for Example, they might justify their fraudulent actions as harmless, by saying "we borrowed the money with the intension of repaying it back", or "we took the money to help others", or "No one was hurt by taking the money"( Jackson et.al, 2009: P.16). Some recent studies tested whether the observable indicators of narcissism, personal traits linked to unethical and fraudulent behavior is viewed by auditors as indicator of increased fraud attitude; and concluded that narcissism client behavior and fraud motivation are positively related to auditors overall fraud risk assessments (Johnson, et.al, 2013, p. 203).

Based on the upper presentation, it can be perceived that the management attitude is the pool that the various fraud enablers flows to, thus, establishing a mixture of forces that determines the type of actions the management will follow. For example, management members are exposed to a severe personal pressure arising from their own personal life (such as, sustaining a certain living standard, financial and social problem, a sense of not being treated equally) or working environment (need to control, stay in power, the feeling of not being monitored, their job that enables them to complicit with highly ranked authorities to ensure a foreseeable position). Finally, it can be perceived that management responses towards fraud would be relaxing, as they will perceive the fraud scheme as a contribution to their existence to fulfill their personal needs and desires, and they will act in accordance to what the fraud cofactors dictate them. On the other hand, financial statement fraud can be merely a choice of the human being, especially when the corporate culture and environmental cofactors are not significant to its occurrence, therefore, it can be motivated by an aggressive behavior; the lack of moral principles, misguided activity ; or innovation (Riley, & Zabihollah, 2010: P. 82). Ilter discussed that in an uncontrolled business environment public companies' resources may be abused to fund other group companies by their management (Ilter ,2010, p. 155) . He concluded that in an uncontrolled financial market, owners, executives and statutory company auditors acting in harmony may break the financial rules, statutory obligations and convert a healthy public company into bankruptcy by means of milking its resources to other group companies on unfeasible projects or on individual pleasures (Op. Cite, p. 155). Furthermore, Bierstaker examined differences in managers and employee's attitude about fraud across different cultures to provide recommendations as to how companies can address these issues and make improvements to their Anti-Fraud programs based on the country culture in which they operate in (Bierstaker, 2009, p. 241).

### *2.5 Management Control*

Control can be perceived as a group of activities designed to monitor the goal-fulfillment of the organization, where nowadays a distinction is made between the owners control of the organization known as Corporate Governance and the board of directors control known as management control (Samuelson, 1999 : P.2). On the other hand, financial control system is a translation of the internal control system denominated in the currency of the issued financial statements (Van Breda, 1979: P.11).

In this paper the major focus will be on the management control system of the Jordanian manufacturing companies. A management control system should include the following key components: (1) Good Control Environment; (2) Good Accounting System; and (3) Monitoring and Good Communication and Information (Albrecht et.al, 2011:P. 113). It can be said that management control system is a formal procedural foundation that governs the execution of the investment, operational, and financial activities within an enterprise. Even though the management control system cannot eliminate fraud, instead it will reduce its occurrence, since the existence of management control will hinder the fraudulent practices due to the fact that fraudsters needs to set forth a mechanisms that enables them to bypass the existing controls each time they tailor a fraudulent scheme (Trenerry, 1999: P. 293). Law examined the organizational factors associated with the absence of fraud. His findings indicated that the Audit committee effectiveness, Internal Audit Effectiveness, The tone at the top managerial level, and ethical guidelines and polices

are positively associated with the lack of fraud within organizations (Law, 2011, p. 501). On the other hand, Zabihollah introduced five interactive factors (cooks, recipe, incentives, monitoring, ending results – CRIME) to explain the high profile fraud scandals (Zabihollah, 2005, p. 277). As a result Zabihollah concluded that financial statement fraud is a serious threat to investor's confidence in financial information, since financial statement fraud will adversely affect the integrity, quality, reliability of the published audited statements and highlighted that a well working relationship among the corporate governance participants (board of directors, audit committees, top management teams, internal auditors, external auditors, governing bodies) should reduce the probability of financial statement fraud (Op. Cite, p. 277). In fact, controlling fraud goes way beyond tackling a fundamental cause up and down through the organization structure, since it requires to apply an appropriate control structure to ensure that the tasks are being executed with integrity and in compliance with the code of conduct set by the enterprise (Cascarino, 2013: P.130). D'Aquila explored whether the control environment forces - the tone at the top, codes of conduct, and short-term targets -are related to financial reporting decisions and his findings indicated that a tone at the top in an organization that fosters ethical decisions is of overriding importance to reliable financial reporting (D'Aquila, 1998, p. 472).

Further, fraud is designed to benefit outsiders as well as the insiders of the enterprise by committing a group of irregularities and illegal acts characterized by intentional deception (Vallabhaneni, 2005: P. 27). It can be said that fraud can be best controlled if we start to think the way the perpetrator does, since such trend will push us away from the theories and practice as well as the rules and the traditional control thinking to exploit the management control system in way that can meet our captive needs, thus being able to detect all the inherent weakness of the system in force that constitute a fundamental base to commit fraud. Bierstaker examined the extent to which accountants, internal auditors, and certified fraud examiners use fraud prevention and detection methods, and their perceptions regarding the effectiveness of these methods (Bierstaker et.al, 2006, p. 520). Their findings indicated that the internal control review and improvement are quite commonly used to combat fraud, in addition to the use of forensic accountants and digital analysis that were classified as a highly effective method to detect fraud even though they were the least often used as an anti-fraud method (Op. cite, p. 520).

#### *2.6 Internal Audit*

The lack of mechanisms used to motivate the personnel to report any material misconduct that sounds fraudulent to the appropriate level of management (Whistle Blowing), will increase the internal control system deficiencies, due to the management inability to embed fraud symptoms into the control system in force to ensure its invulnerability (Pickett, 2011: P131). Internal audit is a significant part of any internal control system, as it can be viewed as significant internal reporting system to management regarding any fraudulent actions, for example, the internal team is called by the management whenever there is a fraudulent indicators to conduct the required investigations (Moeller, 2004: P.213). Further, they might report any fraudulent actions detected while performing their regular scheduled audit (Moeller, 2004: P.214). Internal Audit was defined as “ an independent, objective, assurance, and consulting activity designed to add value and improve an organizations operation and accomplish the assigned objectives, by brining a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” (Pickett, 2011: P132). Perry and Bryan examined various methods, including a written company policy, increased audit effectiveness, and active participation with the audit committee, that can be used by the internal auditor to help prevent and detect fraudulent activity, their findings indicated that an internal auditor has an opportunity to play a significant role in the detection and prevention of internal fraud and external fraudulent reporting (Perry and Bryan, 1997, p. 41). Therefore, the internal audit function requires a competent and professional employees to ensure their accuracy and capability to detect fraud, and report the incident to a senior officer who is not involved with the issuance of financial statements and still has a frequent access to the CEO and the chairman of the audit committee (Silverstone and Davia, 2005: P.28). Further, they should enjoy a full support from senior management, board of directors, audit committee to ensure positive outcomes (Silverstone and Davia, 2005: P.29). The researchers' views that the fruitful results of the internal audit is approachable, if and only if, the internal audit team felt secured and empowered with the necessarily keys to get access to the company's records, then their judgments on events and the subsequent decisions will comply to the level of integrity and code of conduct set out by the enterprise. Eventually, effective internal audit can improve the enterprise ethical and controlling environment by promoting good practices, in a way that an effective internal audit plan should be based on fraud audit risk assessment, with the aim of enhancing the quality of the applicable audit tests to detect fraudulent actions (Swanson, 2010: P. 80). Actually, some corporations incorporated forensic tests in their audit department to detect fraud, such as comparing the employee's contact with the supplier's contact details, testing totals; Benford's test to detect the transactions deviation from Benford's distribution (Swanson, 2010: P.81). In this line of studies Mihret, and Yismaw tried to identify the factors that impact the effectiveness of internal audit services, their findings revealed that the internal audit effectiveness is strongly influenced by the internal audit

quality and management support, whereas the organization setting and the auditee's attributes have a moderate impact on the effectiveness of audit (Mihret, & Yismaw, 2007, p. 475).

### 3. Research Methodology

#### 3.1 Research Problem:

The problem of this study can be briefed with the following:

1) The tendency to override the management control systems of the enterprise by the managerial level, incentivizes the need to dig further ahead to explore the impact of management control to limit the fraudulent practices, thus highlighting the reaped advantages of being adhered to the controls in force.

2) The Design of the internal control systems is governed by the prevailing rules, regulations, and the standards of the profession, although the personal bias still finds itself involved in such scenario, since the management sometimes tends to adapt the internal control system to its ongoing operational tasks, instead of doing it all the way around to secure the inherent risks, thus reducing any fraudulent opportunities.

#### 3.2 Research Questions:

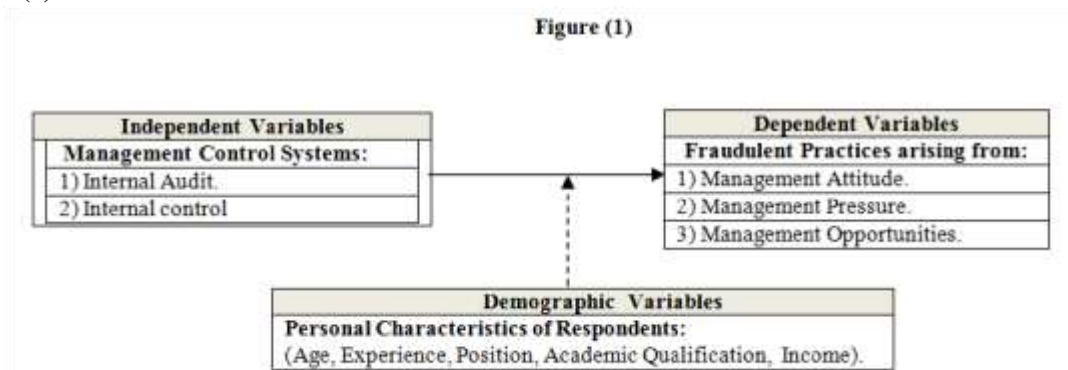
This study aims to explore the impact of management control systems to limit the fraudulent actions (Figure.1), by providing answers to the following questions:

1) To what extent the internal audit can impact fraudulent practices at the Jordanian Industrial Sector as perceived by auditees.

2) To what extent the internal control can impact fraudulent practices at the Jordanian Industrial Sector as perceived by auditees.

#### 3.3 The Study Framework:

**Figure (1)**



*\*Designed by researchers based on previous studies*

#### 3.4 Research Hypotheses

In accordance to the research questions, the following two hypotheses were developed:

1) There is no statistically significant at ( $\alpha = 0.05$ ) impact of the internal audit on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees..

2) There is no statistically significant at ( $\alpha = 0.05$ ) impact of the internal control on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees.

3) There is no significant statistical differences at ( $\alpha = 0.05$ ) between the internal control and the internal audit attributed to the auditee demographical characteristics

#### 3.5 The Research Sample

To achieve the research objectives we have identified the Jordanian Industrial sector as our major site for research. It encompasses 70 industrial firms (ASE, 2013, On line), 20 Companies (Annex 2) of which was randomized to represent the study sample, based upon company's size and activities. Meanwhile, the sampling unit consisted of (internal auditors, chief of internal auditors, head of internal audit department, accountants, senior accountants, head of accountancy department).

#### 3.6 Data Collection

Two main parts were developed to form the study questionnaire that was designed and used to gather the data needed to validate the study's hypotheses. The first part came to survey the demographic characteristics of the sampling unit of the study in terms of (age, experience, designation, academic qualification, and monthly income). The second part was dedicated to include five subtitles, each of which represented the study variables and the

associated instruments (questions). The Instruments were developed in accordance with the previous studies and the related topics. To identify the extent to which those instruments were reliable to measure the study variables, several academicians and practitioners from the Jordanian industrial sector were consulted. Accordingly, several questions were dropped out, others were adjusted. Thereafter, they were arranged in accordance to five-point Likert scale to come up with the final format of the questionnaire that was distributed to 250 individuals, who formed the study sampling unit, out of the whole distributed, 228 were returned, and only 213 were statistically valid (Annex 3), therefore, they were subjected to the statistical analysis using the statistical package of social science (SPSS).

#### 4. Statistical Analysis

##### 4.1 Reliability Analysis – Scale (Alpha)

Alpha coefficient was used to test the reliability of the questions tabulated within the questionnaire (Annex 1), as a result Alpha corresponded to (84.90%), which denotes an excellent rate as the acceptable international one is somewhere around (60.00%).

##### 4.2 The Sampling Unit Characteristics

**Table (1) -Frequencies and the percentages of the demographic Characteristics-**

Variables	Freq.	Percentages	Variables	Freq.	Percentages
<b>Age</b>			<b>Academic Qualification</b>		
less than 31 years	53	24.88%	High Diploma	50	23.47%
31-40 years	99	46.48%	bachelor degree	124	58.22%
41-50 years	47	22.07%	Master Degree	26	12.21%
60years and above	14	6.57%	PHD degree	13	6.10%
<b>Total</b>	<b>213</b>	<b>100%</b>	<b>Total</b>	<b>213</b>	<b>100%</b>
<b>Experience</b>			<b>Monthly Income</b>		
equals & less than 5 years	57	26.76%	equals and less than 500	57	26.76%
6-10 years	41	19.25%	ranges between 501 -1000	76	35.68%
11-15 years	86	40.38%	ranges between 1001-1500	40	18.78%
15 years and above	29	13.61%	above 1500		
<b>Total</b>	<b>213</b>	<b>100%</b>	<b>Total</b>		
<b>Position</b>					
Accountants	64	30.05%			
Internal Auditors	38	17.84%			
Senior Accountant	31	14.55%			
Chief of Auditors	20	9.39%			
Chief of Accountant	20	9.39%			
Head of Internal Audit Dept.	20	9.39%			
Head of Accountancy	20	9.39%			
<b>Total</b>	<b>213</b>	<b>100%</b>			
	40	18.78%			
	<b>213</b>	<b>100%</b>			

The tabulated results in table ( 1 ) displays that the majority of respondents ages ranged between 31-40 years

The tabulation below displays the demographic Characteristics of the sampling unit:

with a percentage of (46.48%), followed by those whose age is less than 31 years with a percentage of (24.88%). Those whose age ranged from 41-50 years formed (22.07%), to end up with those whose age 60 years and above forming (6.57%). Meanwhile the majority of respondents experience ranged between 11-15 years with a percentage of (40.38%), followed by those whose experience is equal and less than 5 years with a percentage of (26.76%). Those whose experience ranged from 6-10 years occupied the third position with a percentage of (19.25%), to end up with those whose experience was 15 years and above, forming (13.61%). On the other hand the sampling unit consisted of Accountants, Internal Auditors, Senior accountants, Chief of internal Audit, Chief of accountants, Head of internal Audit Department, Head of Accountancy, each of which formed (30.05%), (17.84%),(14.55%),(9.39%),(9.39%), (9.39%), (9.39%) respectively. As for the Academic Qualifications, the analysis revealed that the highest the highest percentage of the respondents were holding a bachelor degree holders with a percentage of (58.22%), followed by those who held a High Diploma as they formed (23.47%). Those who held a master degree formed (12.21%), followed by those who held PHD Degree with a percentage of

(6.10%). Furthermore table(1) indicates that the majority of respondents income ranged between 501-1000 JD, whom they formed (35.68%) of the sampling unit, followed by those whose income is less than 500 JD with a percentage of (26.76%). Those whose income ranged between 1001-1500 JD occupied the third position with a percentage of (18.78%), to end up with those whose income is above 1500 JD as they formed (18.78%).

#### 4.3 The Descriptive statistics

The below tabulations lists the results of the descriptive statistics (Means, Std. Deviation) for the study variables

**Table ( 2 ) -Means and Std. Deviations for the Internal Audit-**

No.	Question	Mean	Std. D.
1	The Internal Audit dept. is connected directly with the board of directors.	3.6705	1.4273
2	The Internal Audit employees are armed with the necessarily professional skills needed to detect the manipulative actions.	3.6092	1.3786
3	The Internal Audit employees have the authorization needed to empower their performance.	3.7395	1.4335
4	The internal audit system is considered relevant to the extent that the recommendations driven by the audit process can easily circles the various administrative layers without any misinterpretations.	3.4713	1.5355
5	The internal audit system is considered a preventive system since it aims to highlight the weaknesses of the accounting system only without any change in the course of actions.	3.6552	1.5178
6	The Internal Audit system can be perceived as a Therapeutic system, since it aims to model the solutions for the fraudulent practices, by setting forth a new adjusted procedures.	3.6705	1.5759
	Total	3.6364	1.4711

Table (2) indicate that statement number (3) “The Internal Audit employees have the authorization needed to empower their performance, thus being able to report any misleading actions. “scored the highest mean (3.7395) , its std. deviation corresponded to (1.4335). Statement number (4) “The internal audit system is considered relevant to the extent that the recommendations driven by the audit process can easily circles the various administrative layers without any misinterpretations“ scored the least mean (3.4713) with a std. deviation of (1.5355).

**Table ( 3 ) -Mean and Std. Deviation of Internal Control-**

No.	Question	Mean	Std. D.
7	The Authorization granted to the financial and internal audit head of dept.'s is sufficient enough to empower his performance.	3.7203	1.4788
8	The Board of directors and the audit committee is directly approachable by financial and internal audit head of dept.'s	3.8008	1.4353
9	The predetermined accounting cycles (Purchasing, Sales, expenses) together with the set of policies and procedures in practice can control the execution of activities spontaneously, thus reducing the vulnerability of the system.	3.3257	1.4615
10	The financial and internal audit divisions are committed to the recommendations and Suggestions introduced by the by financial and internal audit head of dept.'s	3.4751	1.4924
11	The financial indicators of the company that aim to guide the course of action in a way to reduce the fraudulent practices are considered to be the cornerstone for the decisions made by the financial and internal audit head of dept.'s	3.8238	1.3642
	Total	3.71678	51.420431

Table (3) indicate that statement number (11) “The financial indicators of the company that aim to guide the course of action in a way to reduce the fraudulent practices are considered to be the cornerstone of the financial controllers decisions “ scored the highest mean (3.8238), its std. deviation corresponded to (1.3642). Whereas, Statement number (9) “The predetermined accounting cycles (Purchasing, Sales, expenses) together with the set of policies and procedures in practice can control the execution of activities spontaneously, thus reducing the vulnerability of the system. “ scored the least mean (3.3257), with std. deviation of (1.4615).

**Table ( 4 ) -Means and Std. Deviations of Management Attitude-**



No.	Question	Mean	Std. D.
12	There are a clear and written determination of the responsibilities and duties carried out at the financial division of your company.	3.3065	1.4189
13	The responsibilities and duties of the employees working at the financial division, set forth the required procedures needed to map and cure any deceptive actions.	3.5670	1.4962
14	The adopted motivation system contains an encouraging scheme to reward any employee who highlights any deceptive action, such as ( Incremental raise, Promotion).	3.9617	1.3003
15	Job rotation is applicable by the management, in order to reduce the time spent by the employee at a certain field, thus reducing his knowledgeable ability (technical or professional skills) to commit fraudulent practices.	3.5019	1.4321
16	The procedure currently in practice to account for the accounting transactions are aligned with the predetermined procedures stated within the accounting guidance.	3.6705	1.3469
17	Management tends to update its control system to fill up the inherent gaps,	3.9387	1.3460
18	There are a predetermined policies and procedures such as (posting authorization, Users ID traceability, Data Entry Authorizations) to spot checking any breakthrough to financial control system.	3.8238	1.3271
	Total	3.73722 5	1.390967

Table (4) indicate that statement number (14) “The adopted motivation system contains an encouraging scheme to reward any employee who highlights any deceptive action, such as ( Incremental raise, Promotion)” scored the highest mean (3.9617), its std. Deviation marked (1.3003 ). Whereas, statement number (12) “There are a clear and written determination of the responsibilities and duties carried out at the financial division of your company.

“ scored the least mean (3.3065) with a std. Deviation of (1.4189 ).

**Table ( 5 ) -Mean and Std. Deviation of Management Opportunities-**

No.	Question	Mean	Std. D.
19	The accounting guidance enacts the necessity to enforce a serial fraud tests (Total tests, actual existence of creditors and debtors, free accounts within the chart of account).	3.8276	1.4481
20	the financial control system is being updated with the newly emergent technical features arising from the operational environment of the business(i.e triggers to avoid double entry, accounts misdirection, password, no. of screens viewed by the user) .	3.8132	1.2890
21	The Financial Control system is supported with the control measures such as ( Mapping Users ID's) to monitor the information flow to the system from the various divisions.	3.7548	1.5017
22	The Accounting guidance includes a clear and written procedures of the accounts being used by user of the accounting information system.	3.7203	1.4615
23	The Accounting guidance includes a clear and written determination of the authority (booking, posting, editing checks, level of disbursements) the user has over the accounts he manages.	3.4837	1.2320
	Total	3.7567	1.3279

Table (5) indicate statement number (19) “The accounting guidance enacts the necessity to enforce a serial fraud tests (Total tests, actual existence of creditors and debtors, free accounts within the chart of account) that aims to detect and debug the inherent weaknesses of the system applicable control measures, thus reducing the available opportunities to commit fraud“ scored the highest mean (3.8276), its std. deviation marked (1.4481). Whereas, Statement number (23) “The Accounting guidance includes a clear and written determination of the authority (booking, posting, editing checks, level of disbursements) the user has over the accounts he manages. “ scored the least mean (3.4837) with a std. deviation of (1.2320).

**Table ( 6 ) -Means and Std. Deviations of Management Pressure-**

No.	Question	Mean	Std. D.
-----	----------	------	---------

24	Income is considered a motivational factor to commit fraud.	3.5919	1.4321
25	The social burden such as no. of children, rent, medicine, alcohol, drugs, day to day expenses is considered a significant motives to a dysfunctional behavior concluded in utilizing the inherent weaknesses of the accounting system to commit fraud, thus meeting the financial burden driven by those factors.	3.6705	1.3469
26	The formal connectedness within the company (upward connection, same level connection, downward connection) is considered a significant motives to a dysfunctional behavior – some time referred to as within the applicable law-, since it drives you to utilize the inherent flexibility of the instructions, and legislations , and the accounting standards in practice to maintain this relationship, thus approaching a foreseeable objective(promotion, incremental raise).	3.6628	1.4282
27	sometime you find yourself forced to deviate from the applicable instructions and follow a path that does not meet the accounting logic or concepts since you received instructions from the upper administrative layer.	3.5670	1.4962
28	sometime you find yourself deviating spontaneously from the applicable instructions and follow a path that does not meet the accounting logic or concepts to meet the requirement of the company’s creditors or debtors (postponing cash receipt, transaction booking).	3.8506	1.3026
	Total	3.7134	1.3582

Table (6) indicate that statement number (28) “sometime you find yourself deviating spontaneously from the applicable instructions and follow a path that does not meet the accounting logic or concepts to meet the requirement of the company’s creditors or debtors (postponing cash receipt, transaction booking)” scored the highest mean (3.8506), its std. Deviation marked (1.3026). whereas, statement number (27) “sometime you find yourself forced to deviate from the applicable instructions and follow a path that does not meet the accounting logic or concepts since you received instructions from the upper administrative layer” scored the least mean (3.5670) with a std. Deviation of (1.4962).

#### 4.4 Validating the study hypotheses

The tabulations below displays the results that was approach while validating the study hypotheses

##### 4.4.1 First Hypothesis

**It states:** There is no statistically significant at ( $\alpha=0.05$ ) impact of the internal audit on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees. To validate this hypothesis, one sample T.Test for bilateral comparisons at significant of ( $\alpha=0.05$ ) was employed. Table (7) displays the relevant results: **Table (7) -One sample T.test for the first hypothesis-**

Statement	Calculated “T”	Tabulated “T”	Sig. “T”	Decision
impact of the internal audit on fraudulent practices	45.25	1.671	0.000	Reject null hypothesis

As indicated in table (7), the calculated “T” equals to (45.25), whereas, the tabulated “T” corresponds to (1.671), and by comparing the results obtained while validating the hypothesis, it is evident that the calculated “T” is greater than the tabulated “T”, therefore we reject the null hypothesis and accept the alternative one that states” There is a statistically significant at ( $\alpha=0.05$ ) impact of the internal audit on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees”. The result in which we were driven to is confirmed by the amount of Sig.”T” as it equaled to Zero.

##### 4.4.2 Second Hypothesis

**It states:** There is no statistically significant at ( $\alpha=0.05$ ) impact for the internal control on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees. To validate this hypothesis, one sample T.Test for bilateral comparisons at significant of ( $\alpha=0.05$ ) was employed. Table (7) displays the relevant results:

**Table (8) -One sample T.test for the Second hypothesis-**

Statement	Calculated “T”	Tabulated “T”	Sig. “T”	Decision
impact for the internal control on fraudulent practices	37.47	1.671	0.000	Reject null hypothesis

As indicated in table (8), the calculated “T” equals to (37.47), whereas, the tabulated “T” corresponds to (1.671), and by comparing the results obtained while validating the hypothesis, it is evident that the calculated “T” is greater than the tabulated “T”, therefore we reject the null hypothesis and accept the alternative one that states “There is a statistically significant at ( $\alpha=0.05$ ) impact for the internal control on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees”. The result in which we were driven to is confirmed by the amount of Sig. ”T” as it equaled to Zero.

#### 4.4.3 Third Hypothesis

**It states:** There is no significant statistical differences at ( $\alpha=0.05$ ) between the internal control and the internal audit attributed to the auditee demographical characteristics

To validate this hypothesis, one way Anova was employed. Table (9) displays the relevant results:

**Table (9) -One way anova for the differences between internal control and internal audit-**

Variable	Source of deviation	Sum Sq.	Degree of freedom	Calculated “T”	Tabulated “T”	Sig. “T”	Decision
Age	Between groups	8.324	3	10.734	1.83	0.000	There is a difference
	Inside groups	5.429	257				
	Total deviation	13.753	260				
Experience	Between groups	28.331	3	3.557	1.83	0.000	There is a difference
	Inside groups	55.759	257				
	Total deviation	84.090	260				
Position	Between groups	52.678	2	3.324	1.83	0.000	There is a difference
	Inside groups	110.940	258				
	Total deviation	163.618	260				
Academic Qualification	Between groups	17.524	3	5.519	1.83	0.000	There is a difference
	Inside groups	22.229	257				
	Total deviation	39.753	260				
Monthly Income	Between groups	73.287	3	3.173	1.83	0.000	There is a difference
	Inside groups	161.657	257				
	Total deviation	234.944	260				
	Total deviation	0.000					

As evident in table (9), the There is a significant statistical differences at ( $\alpha=0.05$ ) between the internal control and the internal audit attributed to the auditee demographical characteristics (age, experience, position, academic qualification, income).

## 5. Conclusions and Recommendations

### 5.1 Conclusions

Based on the obtained results of the study, a set of conclusions were approached:

- 1) There is a statistically significant at ( $\alpha=0.05$ ) impact of the internal audit on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees”. Nevertheless, the results of the study indicated that most of the internal auditors at the Jordanian companies are not empowered with the necessarily authorization needed to enhance their performance, thus their ability to report any misleading actions, which in turn conveys that the internal auditor is not independent, therefore most of the respondents agreed that the internal audit system cannot be considered a preventive nor a Therapeutic system in regard to the fraudulent practices.
- 2) There is a statistically significant at ( $\alpha=0.05$ ) impact for the internal control on fraudulent practices at the Jordanian Industrial Sector as perceived by auditees. Nevertheless, most of the respondents agreed that there is a departure by the head of departments from using the financial indicators that can reduce the fraudulent practices. The results also indicated that the financial and the internal audit head of departments cannot approach the board of directors nor the auditing committee, which in turn can explain the way that decisions are being made. On the other hand, the results indicated that the authorizations granted to the financial and internal audit head of dept.’s are sufficient enough only to carry out the day to day tasks, which in turn denotes the existence of being exposed

to internal or external pressure while reporting any deceptive actions, such trend can be attributable to the reputation of the companies in addition to the functional and social acceptance of the board among the stakeholders.

3) There is a significant statistical differences at ( $\alpha = 0.05$ ) between the internal control and the internal audit attributed to the auditee demographical characteristics (age, experience, position, academic qualification, income). As those characteristics plays a great deal in enhancing the skills and knowledge and motivating the perpetrator to weave a fraudulent scheme.

4) it was concluded that the management attitude towards the fraudulent practices is not with the acceptable level, and that was cited by the lack of a motivation system designed in a way to incentivize the reporting of any misleading event, and the absence of updating the internal control system to reduce the fraudulent practices, in addition to the lack of procedures needed to map and cure any deceptive actions. On the other hand it was evident that the focus of the management was on the alignment of the accounting procedures with the predetermined ones stated within the accounting guidance, which in turn denotes the low incidence of fraud committed by employees. Such attitude can be justified by the management know-how about their employees in terms of their ability and tendency to cook the books, furthermore the reaped knowledge by the employees about the laws and regulations flexibilities are not sufficient enough to commit a manipulative actions, in addition to the way the perpetrator can be perceived with in a country like Jordan that enjoys a certain types of norms, traditions, arising from the religious beliefs. Nevertheless such conclusion does not deny the existence of fraud in Jordan, simultaneously, the necessity of having the knowledge need to detect fraud to ensure the company will continue as a going concern.

5) it was concluded also that the opportunities for committing fraud is high, and that was cited by the lack of fraud tests enacted by the management to conduct once in a while to detect the weaknesses of the applicable control system in force, thus reducing the available opportunities to commit fraud. In addition to the lack of updating the accounting systems with the newly emergent issues arising from the operational environment such as adding a trigger features to avoid a double entries (factious entries, accounts misdirection, password, no. of screens viewed by the user, and so forth. It was evident that the financial system is not supported with necessarily control measures to map the flow of data to the accounting system, which in turn increases the opportunities to fraudsters. with such results in mind we can conclude that the Jordanian industrial companies can be viewed as a shallow market for fraudsters.

6) Finally, it was concluded that the management pressure to commit fraud is low, and that was cited by the disagreement among the respondents about spontaneous deviation from the applicable instructions to meet the credits of debtors requirement, furthermore the social burden such as no. of children, rent, medicine, alcohol, drugs, day to day expenses, nor the formal connectedness within the company (upward connection, same level connection, downward connection) is considered a significant motives to a dysfunctional behavior concluded in tailoring a manipulative scams. Accordingly it can be said that the relief of the surroundings immerse the management with a level of confidence to the extent that makes them think that everything is running smoothly within the company, hence such factor explains the low oversight by management in regard to fraudulent practices.

5.2 *Recommendations* based on the results of the study, the following recommendations were introduced:

1) The necessity to support the trend of having an independent internal auditor, in an attempt to empower them the authorizations needed to enhance their performance, thus being able to report any misleading actions freely. 2) facilitating the accessibility of the internal audit and the financial head of departments the board of directors and the auditing committee, to relieve their work pressure by putting before them any weaknesses that might hinder the progress of their departments, accordingly discussing the possibilities of change at their departments in way that meets the increasingly knowledgeable trend of the employees about fraud.

3) Tightening the polices and procedure concerning the fraudulent practices at the Jordanian industrial companies, to an extent to reflect a strict tone at the top about any attempt to commit fraud.

4) reducing the opportunities to commit fraud by increasing the awareness of the passive impact of such practices on the companies advancement, such goal can be fulfilled by conducting a training courses to the employees and management to enrich their knowledge with the necessarily tools required to avoid any deceptive action.

## References

- 1) Amman Stock Exchange-ASE-, (2013), on line available at, <http://www.ase.com.jo/en/bulletins/yearly/new>, accessed on 15/09/2013.
- 2) Bartow T. Joel, & Biegelman T. Martin,(2006),” Executive Roadmap To Fraud Prevention And Internal Control: Creating A Culture of Compliance”, John Wiley & Sons Inc., USA, P.34-35.

- 3) Bierstaker L. James, Brody G. Richard, Pacini Carl, (2006) "Accountants' perceptions regarding fraud detection and prevention methods", *Managerial Auditing Journal*, Vol. 21 Iss: 5, pp.520 - 535
- 4) Bierstaker L. James,(2009), "Differences In Attitudes About Fraud And Corruption Across Cultures: Theory, Examples And Recommendations", *Cross Cultural Management: An International Journal*, Vol. 16, Iss. 3, P. 241-250.
- 5) Braiotta Louis Jr., & Gazzaway R. Trent, & Colson Robert, & Ramamoorti Sridhar,(2010), "The Audit Committee Handbook", Fifth Edition, John Wiley & Sons Inc., USA, P.287.
- 6) Cascarino E. Richard,(2013), "Corporate Fraud And Internal Control: A Framework For Prevention", John Wiley & Sons Inc., USA, P.130.
- 7) Chen Stephen,(2010), "The Role Of Ethical Leadership Versus Institutional Constraints: A Simulation Study Of Financial Misreporting By CEO's", *Journal Of Business Ethics*, Springer, Vol. 93, Iss. 1, P. 33-52.
- 8) Churchill Craig, & Frankiewicz Cherul.(2006), "Making Microfinance Work: Managing For Improved Performance", International Labour Organization, Geneva, Switzerland, P.168.
- 9) Coenen L. Tracy,(2008), "Essentials Of Corporate Fraud", John Wiley & Sons Inc., USA, P. 172
- 10) Cressy Robert, & Cumming Douglas, & Mallin Christine,(2012), "Entrepreneurship, Governance, and Ethics", Springer Science and Business Media, USA, P.156.
- 11) D'Aquila M. Jill, (1998) "Is the control environment related to financial reporting decisions?", *Managerial Auditing Journal*, Vol. 13 Iss: 8, pp.472 – 478
- 12) DeSantis James,(2013), "A Brief History of Accounting: From Prehistory to the information Age", Available on line at, [http://ensign.ftlcomm.com/historyacc/researchpaperfin.htm#N\\_6\\_](http://ensign.ftlcomm.com/historyacc/researchpaperfin.htm#N_6_), accessed on 22/8/2013.
- 13) Ellahi Abida, Mushtaq Rabia, Khan B. Mohammed, (2013) "Multi campus investigation of academic dishonesty in higher education of Pakistan", *International Journal of Educational Management*, Vol. 27 Iss: 6, pp.647 – 666
- 14) Goldmann Peter,(2009), "Anti-Fraud Risk and Control Workbook", John Wiley & Sons Inc., USA P 10. 15) Hall A. James,(2011), "Accounting Information Systems", Eight Edition, South-Western Cengage Learning, USA, P.102.
- 16) Haugen Susan, Selin J.Roger,(1999), "Identifying And Controlling Computer Crime And Employee Fraud", *Industrial Management & Data Systems*, Vol.99, Iss.8,P.340-344.
- 17) Ilter Cenap, (2010) "Exploring illegal guarantees between group companies: a case from Turkey", *Journal of Money Laundering Control*, Vol. 13 Iss: 2, pp.155 – 166
- 18) Jackson Steven, & Sawyers Roby, & Jenkins Gregory,(2009), "Managerial Accounting: A Focus on Ethical Decision Making", 5th edition, South Western Cengage Learning, USA, P 15-16.
- 19) Jeppesen Klarskov Kim, Møller Gorm Ulrik, (2011) "Asset stripping in a mature market economy", *Journal of Financial Crime*, Vol. 18 Iss: 1, pp.32 - 46
- 20) Johnson N. Eric, & Kuhn R. John, & Apostolou A. Barbara, & Hassell M. John,(2013), "Auditor Perception Of Client Narcissism as a Fraud Attitude Risk Factors", *Auditing: A Journal of Practice And Theory*, Vol.32, No.1, P.203-219.
- 21) Kleyman Yelena,(2006), "A Course In Forensic Accounting", Honor Thesis, Pace University, Available on line at, [http://digitalcommons.pace.edu/cgi/viewcontent.cgi?article=1041&context=honorscollege\\_thesis](http://digitalcommons.pace.edu/cgi/viewcontent.cgi?article=1041&context=honorscollege_thesis), Accessed on 22/8/2013, USA, P1.
- 22) Kranacher Mary-Jo, & Riley Richard, & Wells Joseph, (2011), "forensic Accounting and Fraud Examination", John Wiley & Sons Inc., USA P 13, 204, 409.
- 23) Law Philip, (2011), "Corporate Governance And No Fraud Occurrence In Organizations: Hong Kong Evidence", *Managerial Auditing Journal*, Vol.26, No.6, P. 501-518.
- 24) Mihret Getie Dessalegn, & Yismaw Wondim Aderajew,(2007), "Internal Audit Effectiveness: An Ethiopian Public Sector Case Study", *Managerial Auditing Journal*, Vol.22, Iss.5,P.470-484.
- 25) Moeller R. Robert,(2004), "Sarbanes-Oxley And The New Internal Auditing Rules", John Wiley & Sons Inc., USA, P.213-214.
- 26) Morris D. Glynis, & McKay Sonia, & Oates Andrea,(2009), "Finance Director Handbook", Fifth Edition, Elsevier Ltd., U.K, P.587.
- 27) Murphy R. Pamela, & Dacin M. Tina,(2011), "Psychological Pathways To Fraud: Understanding And Preventing Fraud In Organization", *Journal Of Business Ethics*, Springer, Vol. 101, Iss. 4, P. 601-618.

- 28) Nguyen Khanh,(2008),” Financial Statement Fraud: Motives, Methods, Cases, and Detection”, UniversalPublishers, USA, P.7.
- 29) Peltier-Rivest Dominic, & Lanoue Nicole, (2012) "Thieves from within: occupational fraud in Canada", Journal of Financial Crime, Vol. 19 Iss: 1, pp.54 – 64.
- 30) Perry M.Lisa, Bryan J. Barry,(1997) "Heightened Responsibilities of the Internal Auditor in the Detection of Fraud", Managerial Finance, Vol. 23 Iss: 12, pp.38 – 43
- 31) Petrucelli R. Joseph,(2013),” Detecting Fraud In Organizations: Techniques, Tools, and Resources”, John Wiley & Sons Inc., USA, P.4.
- 32) Pickett K H Spensor,(2011),” The Essential Guide to Internal Auditing”, second edition, John Wiley & Sons Inc., UK, P 131-132.
- 33) Rae Kirsty, & Subramaniam Nava,(2008),” Quality Of Internal Control Procedures: Antecedents And Moderating Effect On Organizational Justice And Employee Fraud”, Managerial Auditing Journal, Vol. 23, Iss. 2, P.104-124.
- 34) Ramage Sally,(2005),” Serious Fraud And Current Issues”, iUniverse, USA, P.1-2
- 35) Rezaee Zabihollah,(2002), ”Financial Statement Fraud: Prevention and Detection”, John Wiley & Sons Inc., USA, P 2.
- 36) Riley Richard, & Zabihollah Rezaee,(2010),”Financial Statement Fraud: Prevention and Detection”, second edition, John Wiley & Sons Inc., USA, P 48, 82.
- 37) Samuelson A. Lars,(1999),” The Effects of Increasing Turbulence on Organizational Control: Some reflections-“, SSE/EFI Working Paper in Business Administration No 1998:5, available on line at <http://swoba.hhs.se/hastba/papers/hastba0005.pdf> , P 2
- 38) Silverstone Howard, & Davia R. Howard,(2005),” Fraud 101: Techniques And Strategies For Detection”, Second Edition, John Wiley & Sons Inc., USA, P. 28-29
- 39) Silverstone Howard, & Sheetz Michael, & Pedneault Stephen, & Rudewicz Frank,(2012),” Forensic Accounting And Fraud Investigation For Non-Experts”, Third Edition, John Wiley & Sons, USA, P.17 40) Swanson Dan, (2010),” Swanson On Internal Auditing: Raise The Bar”, IT Governance Publishing, UK, P.81.
- 41) Tran Ben, (2008) "Corporate ethics: an end to the rhetorical interpretations of an endemic corruption", Social Responsibility Journal, Vol. 4 Iss: 1/2, pp.63 – 81
- 42) Trenerry Alan,(1999),” Principles Of Internal Control”, First Edition, University Of South Wales Press Ltd, P293.
- 43) Vallabhaneni S. Rao,(2005),” Wiley CIA Exam Review, Internal Audit Activity’s Role In Governance, Risk and Control”, Third Edition, Volume 1, John Wiley & Sons Inc., USA, P.27.
- 44) Van Breda Michaelm(1979),” Towards a Definition of Financial Control System”, Cambridge Mass: Alfred P. Sloan School of Management, M.I.T, Available on line at, <http://archive.org/details/towardsdefinitio00vanb>, accessed on 23/8/2013, P 11.
- 45) Van Esch Sandy, & Cascarino Richard,(2007),”Internal Auditing: An Integrated Approach”, Second Edition, Juta and Co. Ltd., South Africa, P.290.
- 46) Vona W. Leonard,(2011),” The Fraud Audit: Responding To The Risk of Fraud in Core Business Systems”, John Wiley & Sons Inc., USA, P.1,4
- 47) Weil L.Roman, & Stickney P. Clyde, & Maher W. Michael,(2008),” Managerial Accounting: An Introduction To Concepts, Methods And Uses”, Tenth Edition, Thomson South-Western, Cengage Learning, USA, P.447.
- 48) Wells T. Joseph,(2011),” Corporate Fraud Handbook: Prevention and detection”, 3ed edition, John Wiley & Sons Inc., USA, 380.
- 49) Zabihollah Rezaee,(2005),” Causes, Consequences, And Deterrence Of Financial Statement Fraud”, Critical Perspectives On Accounting, Vol. 16, Iss. 3, P. 277-298.