



T.C.

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**ROLE OF INTERNAL CONTROL SYSTEM IN REDUCING
FINANCIAL AND ADMINISTRATIVE CORRUPTION IN
NORTHERN IRAQ**

MASTER THESIS

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SCIENTIFIC ETHICS PAGE

According to the thesis writing guide of Tokat Gaziosmanpaşa University Institute of Graduate Education My Master's thesis named “Role of Internal Control System in Reducing Financial and Administrative Corruption in Northern Iraq” that I have prepared under the supervision of “Asst. Prof. Dr. Mustafa GÜL” is based on scientific ethical values and rules. I hereby declare that it is an appropriate, original work, and I will accept any legal sanctions if it is determined otherwise.

21/09/2022

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JURY ACCEPTANCE AND APPROVAL PAGES

Defense exam of the thesis study titled “**Role of Internal Control System In Reducing Financial And Administrative Corruption In Northren Iraq**” prepared by **Zhir Rafiq Hassan PSHDARI** was held on 21.09.2022 it was accepted as a Master's Thesis in Tokat Gaziosmanpaşa University Graduate Education Institute, Department of Business Administration-Accounting and Finance Department, by the Jury given below.

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DEDICATION

To my dear mother and father.

To my brothers and sisters

To my Relevant.

To my friends.



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Allah first, all thanks and Hamd and great grace, thank to Allah who helped me to complete this study that for everything is capable, and I offer my great thanks and gratitude to Assist. Prof. Dr Mustafa GÜL, who oversees my letter and for his efforts in presenting proper scientific advice and guidance, may Allah prolong your age and bless you.

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ROLE OF INTERNAL CONTROL SYSTEM IN REDUCING FINANCIAL AND ADMINISTRATIVE CORRUPTION IN NORTHREN IRAQ

Zhir Rafiq Hassan PSHDARI

Abstract

Financial and administrative corruption can be a significant problem that poses a significant risk to society. This research attempts to determine the role of the internal control system in reducing financial and administrative corruption in Iraq. The aim of this study is to determine the financial and administrative corruption in Iraq and to determine the role of internal control in preventing financial and administrative corruption. Internal control work includes all administrative, financial, and technological components to ensure compliance with the law under national authority while making the most of your time and money. In this study, data were collected from Iraqi financial control office, accountants working as internal control in private companies and government offices, and accountants with higher education certificates by survey method. The applied questionnaire was scaled with five levels of the Likert scale. Using the statistical method (SPSS 21). The data were coded, tabulated, and presented in a descriptive format and ($P < 0.05$) statistical research revealed a positive relationship between the scope of internal control systems and the reduction of financial and administrative corruption. It has been concluded that the elements of the internal control system have an important role in the fight against corruption and corruption and in reducing the impact it may have on it.

Key words: Internal Control System, ICS Elements, COSO, Corruption, Financial and Administrative Corruption, Frauds,

KUZEY IRAK'TA MALİ VE İDARİ YOLSUZLUKLARIN AZALTILMASINDA İÇ KONTROL SİSTEMİNİN ROLÜ

Zhir Rafiq Hassan PSHDARI

Özet

Mali ve idari yolsuzluk, toplum için önemli bir risk oluşturan önemli bir sorun olabilir. Bu araştırma, Irak'taki mali ve idari yolsuzluğun azaltılmasında iç kontrol sisteminin rolünü belirlemeye çalışmaktadır. Bu çalışmanın amacı, Irak'taki mali ve idari yolsuzluğun belirlenmesi ve mali ve idari yolsuzluğun önlenmesinde iç kontrolün rolünün belirlenmesidir. İç kontrol çalışmaları, zamanınızı ve paranızı en iyi şekilde değerlendirirken, ulusal otorite kapsamında yasalara uyumu sağlamak için tüm idari, mali ve teknolojik bileşenleri içerir. Bu çalışmada, Irak mali kontrol dairesi, özel şirketlerde ve devlet dairelerinde iç kontrol olarak çalışan muhasebeci ve yüksek öğrenim sertifikalarına sahip muhasebecilerden anket yöntemi ile veriler toplanmıştır. Uygulanan anket likert ölçeğinin beş düzeyi ile ölçeklendirilmiştir. İstatistiksel yöntemin kullanılması (SPSS 21). Veriler kodlanmış, tablolaştırılmış ve tanımlayıcı bir biçimde sunulmuştur ve ($P<0.05$) istatistiksel araştırma, iç kontrol sistemlerinin kapsamı ile mali ve idari yolsuzluğun azaltılması arasında pozitif bir ilişki olduğunu ortaya koymuştur. İç kontrol sistemi unsurlarının yolsuzluk ve yolsuzluklarla mücadelede ve üzerinde oluşturabileceği etkinin azaltılmasında önemli bir role sahip olduğu sonucuna varılmıştır.

Anahtar Kelimeler: İç Kontrol Sistemi, ICS Unsurları, COSO, Yolsuzluk, Mali ve İdari Yolsuzluk, Dolandırıcılık,

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INTRODUCTION

The phenomenon of financial and administrative corruption may be a serious phenomenon that poses a great danger to society because of the danger that leads to the erosion of the financial system, as well as the importance of research in demonstrating this phenomenon and reducing its dangerous effects on society and the financial system through the correct application of the internal control system. This research has been conducted in Iraqi governmental office of financial control, accountant that works as internal control from private companies and governmental departments because of its direct and validator relationship with high management, the internal audit perform is accountable for checking the implementation of the plans and policies developed to fulfill the establishment's objectives.

Internal control work encompasses all administrative, financial, and technical aspects to verify compliance with regulations and legislation within the framework of the National Authority and make the best use of your time and money. Internal control, in this sense, might be a means of discovering deviations, as well as corruption, that do not comply with the laws and laws controlling the establishment's operation on the one hand and have an influence on the issue of trust. This has ramifications for limiting the creative establishment's activities and placing it among the establishments engaged in the same activity.

In the first part of the study, the internal control system, the elements of the internal control system and its aims are tried to be explained. In the second part, administrative and financial corruption, the emergence of corruption and the prevention of corruption were tried to be explained, and in the third and last part of the study, the results of the analysis were discussed, and conclusions and suggestions were tried to be made.

CHAPTER 1: INTERNAL CONTROL SYSTEM

According to Attwood and Stein (1986), every firm has accounting system that processes and records transactions. Management should establish an internal control system, either directly or through external consultants, internal audits, or accounting specialists. As a result, planning and management is responsible for implementing controls to guarantee that business is conducted in an orderly and efficient manner, that management policies are followed, that the enterprise's assets are safeguarded, and that records are kept as comprehensive and accurate as possible. Above obligation stems from management's fiduciary duty. Internal controls are implemented to aid management. However, it should be noted that, while the development of internal control systems is essentially a managerial duty, the internal control auditing department plays an important role in their design. Internal auditors' involvement in designing effective internal controls is crucial since they are specialists with the ability to analyze the potential effective impact of any control system to be implemented. (Yakubu, I. N., and other 2017). p.545)

The internal control system is defined as the entire financial and administrative control system put in place by management to ensure that the company's operations are completed in a timely and effective manner. It encompasses all policies and procedures implemented by an entity's directors and management to aid in the achievement of its goals, such as adherence to internal policies, asset management, theft and mistake prevention and detection, accurate record reporting, and timely preparation of reliable financial records. (Benjamin, 2001).

1.1. WHAT IS INTERNAL CONTROL SYSTEM

They are the American Institute of Certified Public Accountants (AICPA, 2014)

It is implemented through a plan set by the management and other employees, and those in charge of governance in the institution in order to provide reasonable assurance of achieving the objectives related to the credibility of the company's financial reports, and these objectives are represented by plans, policies, procedures, organizational design, and physical security for all parts of the internal control process.

Internal controls are critical to an organization's information system security. Numerous security breaches have occurred as a result of firms' failure to build an efficient internal control system. The Sarbanes-Oxley Act was passed in response to growing public outrage about ineffective internal control review processes in organizations, which led in significant security and governance risks. Effective internal controls have been strongly suggested in the literature to ensure the integrity, continuity, and good security governance of organizational activities (Dhillon, 2001; Warkentin and Johnston 2006; Whitman 2003). S. Mishra and G. Dhillon 2008).

Internal control system can be regarded as the full system of control, financial and others, adopted by management to ensure the orderly and efficient operation of the organization. It includes the control environment and control procedures, as well as all policies and procedures adopted by an entity's directors and management to assist them in achieving their goals, such as complying to internal policies, asset safeguarding, the prevention and detection of fraud and erroneous, and the completeness and accuracy of records, with the forecaster of reliable financial data (Abiola, I., & Oyewole, A. T. 2013. P. 141).

Internal control systems are policies and procedures established and implemented by an organization's management and personnel to attain reasonable assurance about the achievement of the organization's objectives (IAASB, 2009)

Internal control is defined by (Muhunyo, B. M., & Jagongo, A. O., 2018, p.3) as "the entire system of controls, financial and otherwise established by management to carry on the business of the enterprise in an orderly and efficient manner, safeguard the assets, and secure the completeness and accuracy to the greatest extent possible." the records' accuracy The following components must be illustrated and functional. each internal control system must function properly for the organization's goals to be met (COSO 1994).

1.2. WHAT IS INTERNAL CONTROL

The term "internal control" first appeared in the literature of English-Audit specialist Lawrence Dicksee in 1982. Dicksee (1982) acknowledged that the people who are responsible for auditing primary responsibility was to analyze the system of controls and identify the weakest links. Internal controls were recognized as a system of internal inspections established by the firm itself, with external auditors' role

focusing on analyzing this system before reviewing the annual accounts. As a result, the external auditors regarded that system as an organizational internal control system. (Abou Zaid, R., 2016, p.6)

Soltani offers some other definition for internal control. Internal ICS is defined as “an appraisal activity established within a corporation as a service.” Its responsibilities include “considering, analyzing, and monitoring the adequacy and effectiveness of accounting and internal control systems” (Soltani, 2007, p. 621). Operating an internal control system performance, more generally from management functions, with planning success of the executive, organizational, and coordination functions. It is an appraisal system (Bubilek, O. 2017, p.13)

Internal controls are the processes, regulations, and procedures that a company implements to maintain the authenticity of economic and accounting data, encourage accountability, and prevent fraud.

Internal controls will aid in increasing operational effectiveness by improving the accuracy and dependability of financial reporting, as well as complying with laws and rules and preventing personnel from stealing assets or committing fraud. (A. R. Dalimunthe et al., 2018, p.354)

(Sponsoring organization's committee) (COSO) It is described by the Institutions Welfare Committee as a method developed by the board of directors, management, and other personnel to provide reasonable assurance on the extent whereby the establishment fulfills the following objectives. Relying on financial statements: The management is responsible for creating the financial statements to ensure that the data contained in them is presented in line with generally accepted accounting standards and in a way that serves the interests of consumers of financial reports, particularly external parties.

Compliance with the application of laws and legislation: The control system is set to ensure compliance with the application of laws, regulations, legislation and regulations, whether internal or external. The adequacy and efficacy of the operations: the effective control system is designed in the unit in order to promote the efficient and ideal use of resources in order to achieve the adequacy of operations and to provide accurate information that contributes to decision-making, achieving adequacy and protecting the assets and properties of the unit, as it is exposed to

property, theft and loss in the absence of a control system. (Awad, & Tamer Tawfiq Abdullah. ,2012, p. 23)

The concept of the internal control system has undergone many developments that affected the formulation of many definitions in response to developments in the audit. At first, internal control was intended: (Procedures and methods used in the economic unit to maintain cash and other assets and discover errors to maintain the accuracy of records, as considers to internal control as a system for distributing work and competencies (and responsibilities between employees in the economic unit so that the work of an employee is monitored by another employee)

The American Institute of Certified Public Accountants (AICPA) defines internal control as (the organization's strategy, means of coordination, and standards used in the economic entity with the aim of safeguarding its assets, controlling and auditing accounting data, ensuring their accuracy and reliability, and increasing production rates). The Association of Chartered Accountants in England and Wales (ICAEW) defines internal control as (the organizational plan, means of coordination, and standards used in the economic entity with the intent of safeguarding its assets, controlling, and auditing accounting data, ensuring (information, financial reports, and compliance with laws). (P. Coram and others, 2008, p.558).

Internal control is a method used within a company to improve the efficiency and effectiveness of its operations. The system ensures that actions are carried out in accordance with rules and regulations, as well as improving financial reporting accuracy. According to studies on the reasons of bank failures, an efficient and effective internal control system could cut financial expenses all over the world.

1.3. INTERNAL CONTROLS SYSTEM (COSO)

The COSO framework (2013) defines internal control as a mechanism carried out by an organization's board of directors and management to provide prudent assertion on the achievement of operational, reporting, and compliance objectives. The control environment determines how an organization operates and how its employees' consciousness is influenced. According to the COSO framework, a given internal control system is primarily determined by the control environment in which both organizational discipline and structure are developed. In addition to the control environment, the framework specified four internal control elements: control

activities, risk assessment, monitoring, and information and communication. (Rapani, N. H. A., & Malim, T, 2020, p. 958)

The objectives (what an entity aims to achieve), components (what is necessary to fulfil the objectives), and the firm's organizational structure are all inextricably linked (the operating units, legal entities, and others). Actual procedures Reporting A cube can be used to symbolize the compliance relationship.

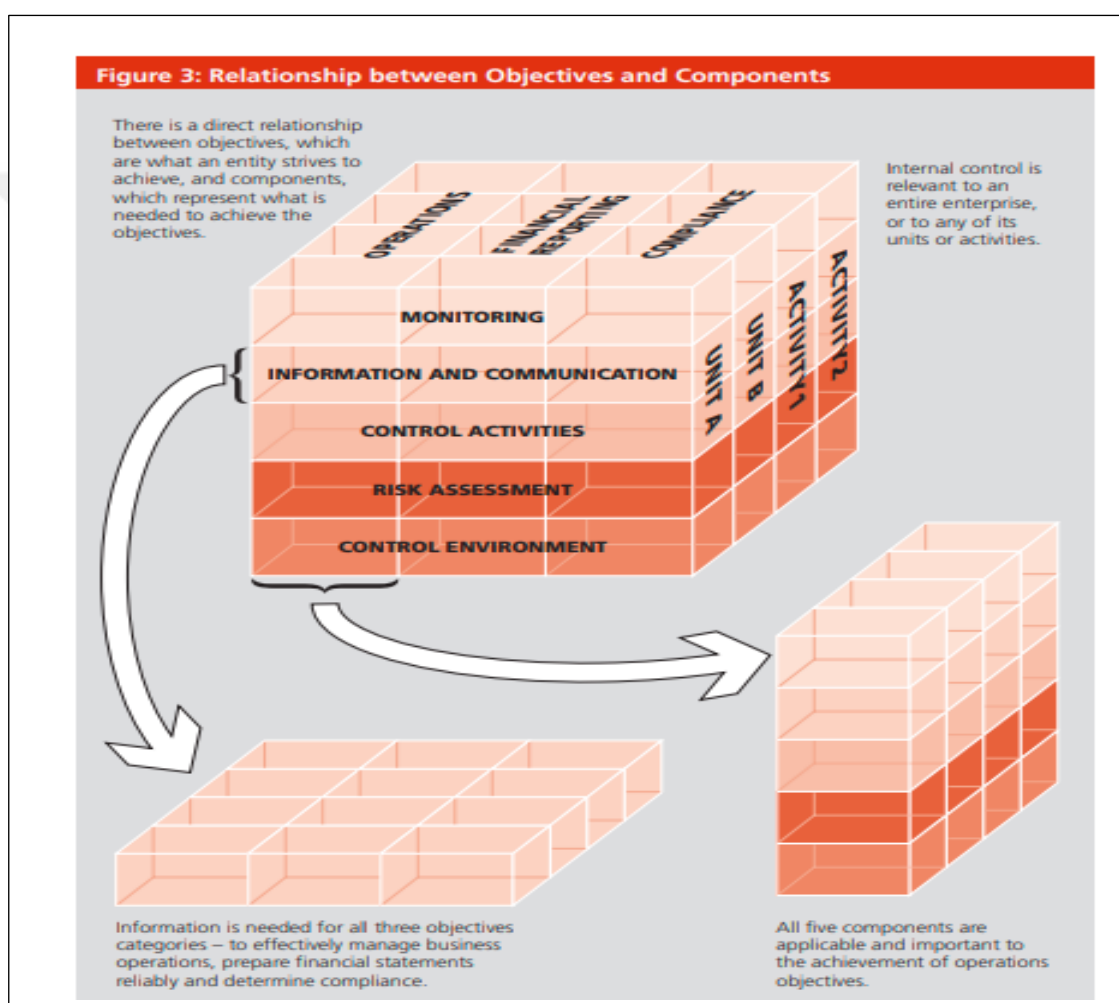


Figure 1. Relationship of Objectives and Components

Extracted from Internal Control – Integrated Framework, COSO

Environment Control The columns indicate the three types of objectives: operations, reporting, and compliance. The rows indicate the five components.

Communication & Information The third dimension represents an entity's organizational structure. Internal control components are considered successful when they satisfactorily achieve the five general goals. Internal control goals, on the other hand, are evaluated based on their ability to meet their statutory purpose and expected outcome.

1.4. ELEMENTS OF INTERNAL CONTROL SYSTEM

1.4.1. Control Environment

The control environment component is considered as the foundation for all other components, and it necessitates commitment to integrity and ethical standards on the part of management, the board of directors, and staff. Internal controls must be developed with board oversight, processes, reporting lines, and appropriate power and duties in pursuit of goals, and management must demonstrate independence and exert supervision over their development and implementation. The company as a whole should demonstrate a dedication to attracting, developing, and retaining qualified individuals who share its goals. Employees and management must, however, be held accountable for their internal control obligations if the organization's goals are to be realized. (R. Abou Zaid, 2016, p. 8)

The scope and coverage of an organization's internal control system that has an impact on its structural and operational framework is referred to as the control environment. It encompasses all internal control features, traits, and components that influence the direction and structure of a company's personnel plans and outcomes.

Organizational structure, integrated processes and metrics, discipline, attitudes, and managerial policies are all important internal and external traits. The control environment is a cross-functional network of many organizations that have an impact on an agency's clients, other public service organizations, and stakeholders, as well as its management and people. (NGICS-body, 2012, p. 17)

The control environment shows management's perspective and regulations on internal audit's importance in the economic unit. On the one hand, the control environment is impacted by the economic unit's history and culture, but it also has a pervasive influence on how business operations are structured, establishing a

constructive and supportive attitude toward internal control and careful management (Aldridge and Colbert, 1994). (T. Karagiorgos and others 2010, p. 3)

The control environment serves as the foundation for all other internal control components that offer discipline and structure, and it sets the tone of an organization by influencing its people's control consciousness (Ratcliffe and Landes, 2009). Dickins et al. (2009) go on to say that the “tone at the top” describes the control environment, meaning that firm personnel should pay greater attention to the components. An effective control environment exists, according to Ayagre et al. (2014), when senior management promotes integrity and ethical ideals and establishes clear rules of conduct to govern behaviour, actions, and choices in pursuit of commercial objectives. Control factors in cooperative organisations include employee commitment to competence, management's ideology and operating style, organisational culture, delegation of power and accountability, strategic HR policies and practises, and the activities of the executive board or audit committee in pursuit of organisational goals. Mendoza (2012) and Mary et al. (2014) (S. M. Shabri and others, 2016, p. 242)

The tone of an organization is set by its control environment, which influences its people's control consciousness (Leung et al., 2011). It provides discipline and structure as the basis for all other internal control components. The integrity, ethical principles, and competency of the entity's employees; management's ideology and operational style; and how management distributes power and responsibility, organizes, and develops its people are all control environment variables (Eldridge et al., 2013). (B. Mahadeen and others 2016, p. 23)

The control environment is the collection of standards, methods, and structures that serve as the foundation for establishing internal control across the company. The importance of internal control, including anticipated standards of behavior, is determined by the board of directors and top management. Management reinforces expectations at all levels of the company.

- The organization's dedication to ethics and integrity is unmistakable.
- The board of directors is responsible for adopting and enforcing internal controls while remaining independent of management.

- Under the supervision of the board, management sets structures, reporting lines, and appropriate authority and tasks to fulfill goals.
- The company shows a commitment to attracting, developing, and retaining qualified individuals who share the company's goals.
- In the pursuit of ob. Actives, the organization holds employees accountable for their internal control commitments.

1.4.2. Risk Assessment

Theofanis et al. define risk assessment as the identification and analysis of relevant risks associated with achieving management objectives (2011). Risk assessment is defined by Sudsomboon and Ussahawanitchakit (2009) as "the act of identifying and assessing management-relevant risks to the preparing financial statements that are accurately reported in accordance with GAAP."

Management must carefully evaluate how much risk to tolerate and attempt to keep that risk within specified boundaries. As a result, in order to take the appropriate steps, public institutions need to assess the amount of risk they face on a regular basis.

Risk assessment encompasses the entire process of detecting, analyzing, and evaluating risks in order to define real and prospective dangers and select the best course of action that will help the agency achieve its goals. It serves as the foundation for establishing how those risks should be managed, as well as assessing agencies' relative susceptibility to uncertainties caused by internal and external threats and opportunities, intentional or accidental abuse, resource mismanagement, errors, or other factors that could impair operational efficiency. (NGICS-body, 2012, p.29)

The activity of identifying, assessing, and managing risks which may affect the organization from accomplishing its objectives is known as risk assessment. The organization's goals should be expressed clearly so that risks related with those goals may be recognized and analyzed at all organizational levels. At the entity, division, operational unit, and function levels, risks should be analyzed. This study should be used to establish risk management strategies. When analyzing risks, for example, the firm should look into the possibilities of fraud as well as detect and analyze changes in the business that might have a significant influence on the internal control system. (R. Abou Zaid, 2016, p. 8)

Detecting Threats This has to do with detecting opportunities and risks to the control goals.

The goal of risk identification is to create a comprehensive list of risks based on elements that could help, hinder, or postpone the achievement of the overall management objectives. This will include recognizing the risks of missing out on a chance.

Comprehensive identification is critical since a risk that is not detected will not be considered in the following step of risk analysis. Risk identification is critical for determining the most relevant areas in which risk assessment resources should be directed. It would also establish accountability for risk management.

Risk assessment is the process of identifying and assessing internal and external risks that may have an impact on management, financial reporting, and legal accountability. (Takahiro and Jia, 2012). Risk assessment is used in cooperative organizations to identify and analyze relevant risks to achieving objectives, as well as to determine how such risks should be managed (Mendoza, 2012). The risk assessment should be undertaken on a regular basis by the board of directors to identify the risk areas, according to the Co-Best operative's Practice Guide, Republic of Mauritius (2011). On the list of responsibilities of society officers and personnel, risk identification in accordance with ethical risk areas should be included. The identified risks should then be properly documented so that a risk mitigation strategy may be devised. (Shabri, S. M. and others, 2016, p. 242)

Management would become aware of the measures that need to be taken and their respective priority because of risk appraisal. The goal of risk evaluation is to assist in determining which hazards require treatment depending on the results of the risk analysis. The outcomes of risk assessment are used to prioritize therapy implementation. (NGICS-body, 2012, p. 31)

Decisions should be taken in line with legal, regulatory, and other standards, as well as the tolerance of risks by parties other than those who benefit from them. In some circumstances, risk assessment may result in a decision to conduct additional research.

(INTOSAI Guidelines for Internal Control Standards for the Public Sector).

Every organization faces several external and internal threats. Risk is defined as the chance of an occurrence occurring that would jeopardize the attainment of goals. A dynamic and iterative approach for detecting and analyzing challenges to goal attainment is risk assessment. Risks to accomplishing these objectives are examined across the company in relation to set risk tolerances. As a result, risk assessment becomes the basis for defining how risks will be handled.

The organization defines objectives in sufficient clarity to enable for the identification and assessment of risks related to the goals.

The organization identifies and evaluates risks in order to determine how they should be managed in order to achieve its goals.

The organization considers the probability of fraud when assessing risks targeting attainment.

The company identifies and assesses changes that could have a significant impact on the internal control system.

1.4.3. Control Activities

COSO (2013) defines control activities as behaviors (often recorded in policies, procedures, and regulations) that aid management in risk mitigation and goal achievement.

Control activities occur at all organizational levels and in all departments. Control activities are processes and procedures used in a variety of industries to guarantee that management directives are followed and that appropriate actions are made to address risks to achieving certain objectives (Ratcliffe and Landes, 2009). In his research, Mendoza (2012) identified nine internal control system control tasks in cooperative governance: authorization, role separation, data processing, physical controls, sufficient documentation, verification, reconciliation, operational performance assessment, and supervision. Improved control operations can assist the entity in meeting its objectives, and all required precautions should be made to minimize risks. 2013 (Saidu and Zabedah). (Shabri, S. M. and others, 2016, p. 242)

Control activities are performed at all organizational levels, throughout the technology environment, and at all stages of commercial activity (COSO 2013). Mendoza (2012) defines authorization, role segregation, information processing, physical controls, proper documentation, authentication, reconciliation, operational

performance assessment, and oversight as internal control system control tasks. N. T. Tenbele, 2019, p. 147)

All policies and procedures should be written down, and the procedures for each action in the organization should be followed. On a regular basis, these established rules and processes should be evaluated and revised. Supervisory staff should conduct a review of the operation of controls using the appropriate approach. Any deviations from the approach that are detected should be reported as quickly as possible to the appropriate parties and corrected. The asset custody function and the accounting function should be kept distinct. Operational and record-keeping responsibilities should be kept separate. Physical asset control should exist, such as good gate control. An impartial party, such as the IAA, should assess all policies and practices (AICPA, 2005; COSO, 1994). (Fourie, H., and C. Ackermann, 2013, p. 501)

The rules, processes, and systems that ensure management's directives are followed appropriately are known as control activities (Aikins, 2011; Rezaee, Elam & Sharbatoghlie, 2001). Documenting these rules and procedural standards properly not only aids in establishing how checks and balances should be carried out, but also provides sufficient information for auditors to assess the overall sufficiency of control system design over financial management processes (Aikins, 2011). These procedures ensure that all necessary steps are performed to mitigate risks and achieve organizational objectives. Segregation of responsibilities, daily deposit of cash receipts, account statements, and controlling access to check stock are all examples of control activities.

Control activities could help improve the deployment of effective internal control systems. These acts' outcomes can be used to categorize them. (For example, preventive activities such as proper job segregation and transaction permission, detective activities such as bank reconciliations and top-level reviews of performance reports with variances from budgets, and corrective activities such as procedures in place to correct errors discovered by detective controls.) (Abou Zaid, R., 2016, p. 8)

Control efforts must be relevant, cost-effective, thorough, reasonable, and closely linked to control objectives and the mission of the agency. Appropriate indicates that the control action is in the proper location and is proportional to the threat. The term "cost effective" refers to the fact that the expense of implementing

the control activity should not outweigh the benefits. Control action that is comprehensive and reasonable has a direct relationship to the control objectives. Finally, the control actions must be practical and function as designed or planned. As part of the control environment, control actions are carried out. (NGICS-body, 2012, p. 32)

Control activities are defined by policies and procedures as measures taken to ensure that management's instructions for limiting risks to goal attainment are followed. Control activities occur at all levels of a corporation, as well as at multiple places across the technical environment and business operations. They can be either proactive or reactive in nature and include both human and automated processes such as approvals and clearances, validations and structural reforms, and corporate performance assessments.

- The organization decide to choose and develops control actions that help to the reduction of risks to the attainment of goals in an acceptable time frame.
- The company decide to choose and develops broad control actions over technology to aid in the fulfillment of goals.
- The organization implements control activities through policies that specify what should be expected and procedures that put policies into effect.

1.4.4. Information and Communication

The process of acquiring, collecting, and transmitting vital information in a timely and suitable manner to satisfy financial reporting objectives is referred to as the information and communication process (Aldridge & Colbert, 1994). Effective communication, on the other hand, should occur in a broader sense, involving information shared among the company's various departments (Theofanis et al, 2011). Because of its importance in affecting working relationships within the firm at all levels, most of the recent research on internal control system frameworks has focused on information and communication as one of the internal control system components (Amudo & Inanga, 2009). As a result, for employees to perform their jobs in terms of goal attainment, such knowledge must be shared throughout the company.

The recognition, capture, and transmission of relevant and quality information in a timely manner is required by the information and communication component,

allowing people to do their jobs. The organization should ensure that internal control information is communicated internally, including roles, authorities, and objectives that are required for the internal control system to function properly. (Abou Zaid, R., 2016, p. 9)

Every Businesses must identify, collect, and disseminate critical information to assist employees in carrying out their duties. While control activities are being carried out, this system is necessary for an organization to receive and share information in order to conduct, manage, and control its operations (Frazer, 2011). Information systems are also required to direct an organization's operations (Wardiwiyono, 2012). Hanim et al. (2005) observed, for example, that the better the performance of the auditing process, the more information and communication there is. The person in charge of auditing work must seek, analyze, assess, and record adequate information to achieve desired objectives. To gather and disseminate critical cooperative data for decision-making, customer service, and other business operations, cooperative organizations require adequate information and communication (Weber, 2009). (Shabri, S. M. and others, 2016, p. 242)

To attain its objectives, a company needs information to conduct our internal control operations (COSO, 2013). Internal and external interaction provides the organization with the data it requires to perform daily internal control tasks. It also allows workers to understand internal control roles and their importance in accomplishing the organization's goals (COSO, 2013).

Communication is the process of one person passing on their knowledge and mutual understanding to another (Keyton, 2011). The word “communion” comes from the Latin word “communis,” which means “common.” The word emphasizes that communication does not begin until there is a common understanding as a result of information sharing (Lunenburg, 2010). Communication channels are built among all members of an organization so that relevant information can be communicated to the appropriate people in a timely way. (Mahadeen, B., and others, 2016, p. 23)

As businesses' structures and global operations have gotten increasingly sophisticated and reliant on technology, the necessity for correct information given to management at the right moment has become important for effective business operations and internal control (COSO, 2013). According to Lamoye (2005), relevant

and trustworthy information must be recorded and disseminated to management and other organizational individuals for the control system to be successful and efficient. (Tenbele, N. T., 2019, p. 147)

Senior management should develop efficient communication channels to ensure that all workers are fully informed of policies and procedures impacting their duties and responsibilities, as well as that other relevant information reaches the appropriate people. It is also essential to ensure that adequate information measures are in place to cover all the bank's operations. These systems, particularly those that store and use data in electronic form, must be secure and regularly tested. (Basle Committee on Banking Supervision, 1998, p.4)

To achieve its objectives, the company requires information to carry out its internal control requirements. To support the operation of other systems in the organization, management collects or generates relevant and high-quality data from a variety of sources. Communication is a continuous process of sending, sharing, and obtaining information that is iterative. Internal communication refers to the flow of information within a firm, up, down, and between departments. It enables upper management to deliver a clear message to staff that control responsibilities must be taken seriously.

- The organization acquires or creates relevant, high-quality information and utilizes it to assist the operation of internal controls.
- The company provides information internally, including objectives and responsibilities for internal control that is required to support the operation of internal control.
- The organization interacts with external parties about issues impacting the operation of internal control.

1.4.5. Monitoring

Internal control systems are regarded to require proper monitoring in order to determine the quality and efficacy of their performance throughout time. Monitoring ensures that audit and other assessment results are sent as quickly as possible.

Monitoring operations ensures the effective operation of the internal controls system, according to (Theofanis et al., 2011). (Amudo & Inanga, 2009). As a result,

monitoring determines if management-designed and implemented rules and processes are being correctly carried out by employees.

Finally, the monitoring component requires the organization to assess the entire internal control system to ensure that it is operating properly. The results of this monitoring should be communicated to the appropriate stakeholders in a timely and appropriate manner, including senior management and the board of directors. Corrective action should be taken after that. (Abou Zaid, R., 2016, p. 9)

Tanzania, being a developing country, works with institutions such as the Central Bank to enhance its internal control system. The Finance Ministry encourages financial institutions to put in place an effective internal control system as a top priority. Every financial institution's board of directors must approve appropriate policies and procedures, as well as sufficient overall internal control systems, for measuring and managing risks in each line of business and economy served by the institution, including credit, financial, market, functions, legal, and any other risk affecting or likely to affect such investor or financial institution. (BAFIA, 2006). (K. H. Ali, 2013, p. 3)

Monitoring activities are Continuous or discrete assessments, or a mix of the two, are used to determine if each of the five internal control components is present and functioning, including controls to alter the principles within each component (COSO, 2013). Monitoring is used to see if internal controls are correctly planned, installed, and working (COSO, 2013). When all five components (control environment, risk assessment, control activities, information and communication, and monitoring) are present and functioning well, internal control is properly designed and performed (Ofori, 2011).

The monitoring activity's function ensures that the organization's internal controls are properly planned and built, and that any deficiencies are promptly reported to senior management, allowing the organization to operate with an effective and efficient internal control system. Monitoring activities, according to Whittington and Pany (2004), are a technique for analyzing the quality of internal control performance. Monitoring allows management to determine whether any changes are required, and it can be accomplished by establishing consistent supervisory and management measures, such as reviewing the accuracy of management reports and

continuously monitoring other data (Whittington & Pany, 2004). (Tenbele, N. T., 2019, p. 147) Monitoring is the fifth component that guarantees that all the components' internal control systems continue to function properly (Ionescu, 2011; Ayagre et al., 2014). The periodic evaluation of the efficacy of internal controls by managers, internal auditors, and external auditors is one of the monitoring activities (Dickins et al., 2009). Wardiwiyono (2012) discovered that financial system monitoring should be done from the beginning to the end of the process. As an example, as a supervisory method, an external auditor can be appointed to monitor the customer's activity in the use fund.

Basically, both company and cooperative boards must include components for monitoring management performance, defining long-term strategic goals, analysing management ideas, and evaluating their financial and strategic operations (Keeling, 2005). Because monitoring components create a loop that improves control activities, information systems, and the control environment, they may be used to assess the overall performance of internal control systems (Noorvee, 2006). (S. M. Shabri and others, 2016, p.242)

To determine if each of the five components of internal control is present and operating, including controls to impact the principles within each component, ongoing assessments, independent evaluations, or a combination of the two are used. Continuous evaluations, which are ingrained in business processes at all levels of the organization, provide timely data. The scope and frequency of separate evaluations will vary based on risk assessment, the success of ongoing evaluations, and other management concerns.

- The company selects, creates, and conducts continuing and/or separate examinations to determine if internal control components are present and functioning.
- The company assesses and communicates internal control inadequacies to those parties responsible for remedial action, such as senior management and the board of directors, in a timely manner.

(Committee of Sponsoring Organizations of the Treadway Commission, 2013, p. 4-5)

The five would have an impact on reference planning and how it would perform the popularity of the reference so that control would be necessary to complete internal control, which would have a positive impact on the proper functioning and development of the oversight work at the facility.

1.5. INTERNAL CONTROL SYSTEMS' INFLUENCE ON FRAUD DETECTION AND PREVENTION

The Impact of Internal Control Systems on Fraud Detection and Prevention

Effective internal control systems are essential for detecting and preventing fraud. The opposite is also true: the lack of internal controls, as well as their ineffectiveness, make it difficult to detect and prevent fraud. The Institute of Internal Auditors stated in a June 2003 release that “risk and control are almost inseparable like two sides of a coin – meaning that risks must first be recognized and assessed; then managed and minimized by the establishment of a robust system of internal control.” Financial institutions' goals are to increase growth, profitability, and sustainability, that is, to achieve their mission while minimizing the risk of loss or failure while conducting business. In order to achieve their goal, financial institutions' risks must be managed by effective internal controls. Internal control systems, in other words, contribute to the growth, profitability. Njagi (2009) and Kiprop (2010) (Kabue, L. N., 2015, p.4)

Effective Internal Control

- The Framework outlines the prerequisites for a functional internal control system. A good system gives reasonable certainty that an entity's goals will be realized. A successful internal control system reduces the risk of failing to accomplish an entity target, which may belong to one, two, or all three kinds of objectives, to an acceptable level. It is essential to:
- All five components, as well as associated notions, are present and functional. The term the term "active" refers to the recognition that all of the necessary components and concepts have been incorporated into the design and implementation of the internal controls system in order to achieve the objectives. "Functioning" refers to the notion that the internal control system's components and core principles are still present inside its operations and behaviour in order to achieve established objectives.

- The five components work together seamlessly. * “Operating together” refers to the conclusion that all five components together minimize the risk of not accomplishing a target to an acceptable level. Components should not be examined separately; rather, they should be viewed as an integrated sister. Components are interconnected, with numerous interrelationships and linkages between them, most notably how principles interact inside and across components.
- • The organization cannot conclude that it has met the standards for an effective internal control system if a component or relevant principle has a serious flaw, or if the components are not working together in an integrated manner.
- When an internal control system is deemed effective, senior management and the board of directors can be reasonably certain that the organization:
 - Acquires high quality of service when external events are deemed unlikely to have a significant impact on goal attainment, or when the organization can fairly predict the nature and timing of external events and reduce the impact to an acceptable level. When external events may have a significant impact on achieving objectives, or when the organization can reliably predict the type and timing of external events and minimize the impact to a tolerable level, understands the extent to which processes are managed effectively and efficiently.
- Compiles reports in accordance with applicable rules, regulations, and standards, as well as the entity's stated reporting goals. Establishing, implementing, and executing internal control, as well as analyzing its effectiveness, all require judgment under the Framework.
- Judgment applying within the confines of bylaws, rules, regulations, and standards improves management's ability to make better internal control decisions, but it does not guarantee perfect results.

1.6. INTERNAL CONTROL OBJECTIVES

According to research increased emphasis has been dedicated to internal control approaches in recent years. He goes on to explain that, in addition to the

complexity of current business tactics, the rising scale of business units has fostered the adoption of methods that, while boosting company efficiency, also operate as safeguards against error or fraud. Internal controls must achieve the following objectives to prevent errors and provide reasonable assurance:

- The transactions that have been recorded are correct. The system should not allow fake or non-existent transactions to be recorded in accounting records.
- All transactions have been legally authorized. Transactions should be properly authorized by the system.
- Transactions are documented. The methods must include protecting transactions from being omitted from the records.
- Transactions are correctly valued. At various stages of the recording process, a suitable system must include rules to prevent errors in calculating and recording transactions.
- Transactions are correctly classified. Account classification accounting to relevant categories or divisions must be ensured by the system. (Yakubu, I. N., Alhassan, M. and others, 2017, p. 546)
- Business efficiency: There should be controls in place to ensure that processes run smoothly and that activities are not disrupted. This reduces the risk of inefficiencies and threats to the organization's ability to generate value.
- Asset protection: There should be controls in place to ensure that assets are used for their intended purposes rather than being stolen or misused. All assets, both tangible and intangible, should be assessed as part of a comprehensive approach to this goal.
- Preventing and detecting fraud and other unlawful acts: These offences can harm even small organizations with basic organizational structures; however, as businesses grow in size and complexity, the types of fraudulent actions become more diverse, and management measures must be in place to manage them.
- Financial record completeness and accuracy: A corporation will be unable to produce accurate financial accounts if its financial records are untrustworthy. Systems must be able to collect transactions in order for the firm's nature to be accurately reflected in the financial statements.

- **Accurate and timely financial statement preparation:** Businesses must be try to satisfy their legal duties to file straight accurate and timely financial statements. They owe accurate financial information to their shareholders. Internal controls may be used to regulate accounting operations that are critical for the design of successful strategies, decision-making, and performance monitoring.

1.7. TYPES OF INTERNAL CONTROLS

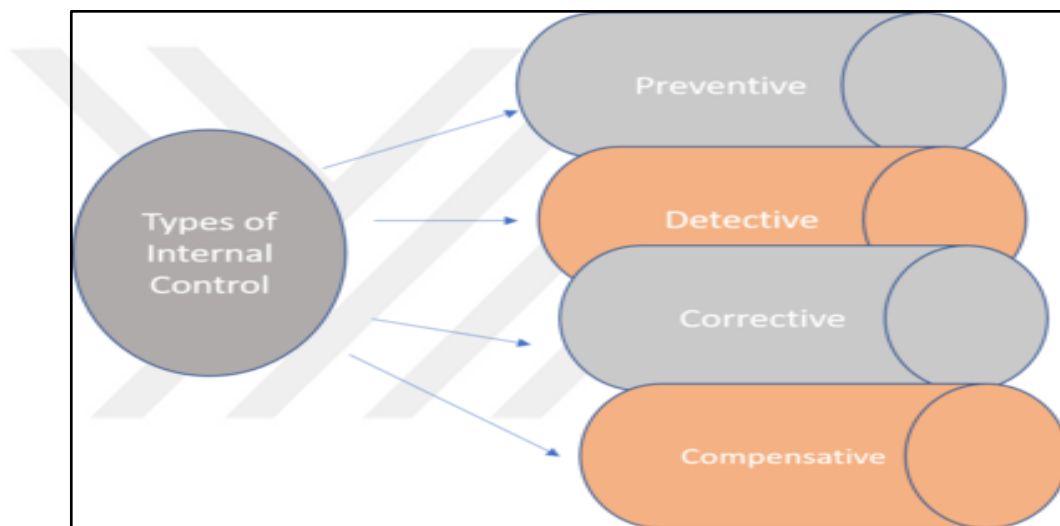


Figure 2: Types of internal controls

https://cio-wiki.org/wiki/Internal_Control

- **Detective:** Designed to detect any flaws or anomalies that may have happened. The purpose of directive controls is to detect problems after they have happened. While detecting an independence violation after the fact is required in a robust internal control system, prevention is preferable. Detective controls are seldom effective deterrents in the absence of significant consequences (Milichamp, 2002).
- **Preventive:** Designed to avoid mistakes and inconsistencies in the first place. The measurement that is produced by preventive control are measures that a corporation used to deter noncompliance with rules and procedures. They are preventative actions that help to prevent loss. Preventive controls include role separation, proper consent, enough paperwork, and direct

restraint over assets. (Sawyer and Vinten, 1996; Niyonsenga, E., 2015, p.12)

- **Corrective controls:** corrective controls are put in place to deal with anything foreign and every flaw that has occurred in the system. System reform, follow-ups, post-audits, and management imposing sanctions for violations are all examples of corrective control procedures. (Yakubu, I. N., and others, 2017, p. 546)
- **Compensating controls:** Compensating controls are designed to compensate for a system's lack of controls in other areas. A physical copy of the customer list may be kept in the office library by companies that use an electronic database. This list would compensate for electronic system outages and the difficulty of finding customer names in a computer system. While the list would have to be updated on a regular basis to include new clients, it would alleviate some of the insecurity that comes with printed copies. Amundo (Amundo, 2009).

1.8. INTERNAL CONTROLS' LIMITATIONS

Internal controls will only provide reasonable assurance that objectives are met, no matter how well prepared and constructed they are. All internal control systems have some limitations built in.

These are some of them:

- **Judgment:** Choices made with human judgment stressed to conduct business backed by the data at hand limit the effectiveness of controls.
- **Breakdowns:** Internal controls, no matter how well-built, will eventually fail. Employees frequently misunderstand, misapprehend, or simply make errors. New technology, as well as the quality of electronic data systems, might cause errors.
- **Management Override** High-ranking officials may be able to circumvent established regulations and protocols for personal gain or advantage. This is not to be confused with management intervention, which refers to actions taken by management to deviate from established rules and procedures for legitimate reasons.

- Collusion Cooperation among employees can be used to get around control measures. People working together will alter financial data or other management data in ways that control systems will not detect.
- Costs vs. Advantages the cost of an entity's internal control structure may outweigh the benefits that are expected to be achieved.
- Unusual Business Transactions Finally, internal controls are typically developed to regulate what happens in a firm on a regular basis or consistently.

However, it is possible, likely, and necessary that an uncommon transaction occurs that does not fit into the standard routines, in which case normal controls may be irrelevant to the odd transaction. As a result, mistakes are made in this atypical transaction. However, {it might, it's going to, it should} be the case that associate unusual transaction may occur which doesn't match into the traditional routines, during which case normal controls might not be relevant to the unusual transaction. Hence, mistakes are also made this unusual transaction. (Doyle, J., Ge, W., & McVay, S., 2007, p. 1-6)

1.9. RISK MANAGEMENT

Risk-taking is an essential characteristic of any firm. A company cannot expand or create value unless it is willing to take risks. However, if risks are not adequately managed and controlled, they might have an impact on the company's capacity to achieve its goals.

By continuously preventing and controlling risks, risk management and internal control systems play an important role in leading and guiding the company's varied activities.

General risk management principles

- Risk management is the responsibility of all stakeholders in a corporation. It should be thorough, covering all of the company's activities, processes, and assets.
- Risk management is a dynamic system that is established and applied by the firm.

- Risk management is a collection of resources, attitudes, processes, and activities that are tailored to the unique characteristics of each firm and help managers to keep risks at an acceptable level for the company.
- Risk denotes the likelihood of an incident occurring that could have an impact on the company's personnel, assets, environment, goals, or reputation. (Dittmeier, C., & Casati, P., 2014, p. 6)

Risk management goals

Risk management is a lever for managing the company that helps:

a) Create and maintain the company's worth, assets, and reputation: Risk management is used to identify and analyze the company's primary potential threats and opportunities. The goal is to anticipate risks rather than passively accept them, so protecting the company's wealth, assets, and reputation.

b) To achieve its aims, protect decision-making and the firm's processes: Risk management attempts to identify key events and situations that might have a significant influence on the company's goals. Controlling these risks makes achieving these objectives easier. Risk management is a vital component of decision-making and tactical operations in every business. It is a tool for monitoring and making decisions.

Risk management provides managers with a thorough and impartial view of the company's possible dangers and opportunities.

It enables managers to take accurate measurement and informed risks and provides a basis for their decisions regarding the attribution of human and financial resources.

c) Encourage the company's actions to be consistent with its values: A lack of consistency between the company's beliefs and day-to-day decision-making and actions is the source of many hazards. The company's credibility is primarily jeopardized by these dangers.

d) Bring the company's employees together around a shared understanding of the main threats and raise awareness of the risks that come with their jobs.

Components of a risk management system It is the responsibility of each organization to create a risk management system that is tailored to its specific requirements. The components of the risk management system are as follows:

An organizational framework with:

- a framework that specifies roles and responsibilities, sets processes, and establishes clear and concise system standards
- a risk management plan that explicitly specifies the system goals in line with the corporate culture, common language, methodology to recognizing, analyzing, and managing risks, and, where required, risk constraints established by the company (risk tolerance),
- an information system for conveying risk information internally

In the internal and external contexts of the company, a three-stage risk management process:

- Risk identification: in this stage, the major threats to the company's objectives are identified and centralized. A risk is either a danger or a missed opportunity. It is made up of three parts: an event, one or more causes, and one or more outcomes. The process of identifying risks is ongoing.
- Risk analysis: the potential financial, personal, legal, and reputational ramifications of major risks, as well as the likelihood of their occurrence, are considered at this stage. This is a long-term strategy.
- Risk management procedures: the most appropriate action plan or plans for the firm are selected at this stage.

To maintain acceptable risk levels, several approaches might be considered: risk reduction, risk transfer, risk elimination, or risk acceptance. The decision is reached by evaluating the prospects against the cost of risk management measures, taking into account their possible influence on the risk's occurrence and/or repercussions.

Ongoing oversight of the risk management system:

- The risk management system is monitored and reviewed on a regular basis. Monitoring the system aids in continuous improvement. The goal is to identify and analyze the major risks, as well as to learn from past dangers.
- The purpose of the risk management system is to identify and analyze the firm's major risks. Risks that exceed the company's allowable limit are addressed, and in some cases, action plans are implemented. Controls may

be implemented, financial responsibilities may be transferred (via insurance or a similar mechanism), or the organizational structure may be restructured as part of these plans. The internal control system includes the controls that have been developed. As a result, the internal control system assists the company's operations in risk management.

- The internal control system is dependent on the risk management system to identify the major hazards that must be managed.
- In addition, the risk management system must include controls that are in charge of the internal control system and are designed to ensure that the risk management system functions properly.

CHAPTER 2: FINANCIAL AND ADMINISTRATIVE CORRUPTION

2.1. WHAT IS CORRUPTION

The world is witnessing an odd phenomenon of political, economic, and social crises of various shapes and sizes. The phenomenon of corruption, which comes in many forms such as "administrative, financial, political, and judicial...etc., is perhaps the most significant of these phenomena that influence violent extremism. This research focuses on all forms and types of administrative and financial corruption such as Moreover, various perspectives of writers, multiple authors, and governments have a growing interest in the problem of corruption, including hidden the negative repercussions and damage in various fields of economic, social, and political life; at the very same time, all countries of the world seek to keep pace with the fast developments that happen in the global arena, the phenomenon of globalization, and a shift from economic isolation to openness, and from integration to integration

The EFCC Act of 2004 aims to combat a wide range of economic and financial crimes both inside and outside the organization. "Violent, criminal, and unlawful conduct done with the goal of unlawfully creating wealth... in a manner that violates current legislation," according to the EFCC Act of 2004. Fraud, narcotic trafficking, money laundering, defalcation, bribery, looting, and just about any other form of corruption are examples, as are illegal oil bunkering and illegal mining, tax avoidance, currency, cybercrimes and piracy, open market abuse, dumping of toxic waste and expressly forbidden goods, and so on. (Modugu, K. P., & Anyaduba, J. O., 2013, p. 283)

Corruption is derived from the Latin word "corruptus," which means "corrupted." It is the abuse of a trusted position in one of the branches of government (executive, legislative, or judicial), or in political or other organizations, for the purpose of obtaining unjustified monetary gain for oneself or others. Administrative corruption is one of the most common types of corruption in all levels of government.

Corruption is a term that has been mentioned in many books of literature, history, and politics, and it was mentioned in the divine books to warn people and make them aware of the bone of those who are affected by this phenomenon. This is

why interpretations of its meaning have varied, and we shall present the concept of this phrase in what follows: It is claimed in language that (corrupt) a thing, (corrupt) by annexation, and (corrupt it and corrupt) and corruption is against interest (Al-Razi, 1983, p. 503).

Corruption is also characterized as evil or malevolent behavior or practices that cause sterility, drought, calamities, or harm (Dr. Ahmed Mukhtar Abdel Hamid: 3771). There are many definitions of financial and administrative corruption because there is no single definition for it, but they all revolve around one content, which is the abuse of public authority or public office for personal gain, and the concept of corruption is associated with evil in the minds of many people, and it may be the most sincere. The Encyclopedia of Social Sciences defines it as "the misuse of public influence for private benefit."

This encompasses all types of bribes paid to local, national, or political officials, but excludes bribes paid between sectors" (Stuart, 1999, p. 22). Administrative corruption is described as acts that occur within the administrative apparatus that cause that apparatus to deviate from its goals in favor of private goals, whether on an individual or collective basis (Daoud, 2015, p. 99) goals, whether in an individual or collective manner (Daoud, 2015, p. 99).

Financial and administrative corruption, according to the World Bank, is the misuse of public power for personal gain. Corruption is described as follows by Transparency International: "Every act includes the misuse of public position to attain a personal self-interest for himself or his organization." According to the International Monetary Fund (IMF), it is (the planned long-hand relationship that tries to generate benefits from this conduct for one person or a group of individuals tied to others) (Imad Salah, 2003, p. 32).

Administrative corruption is thus corruption that occurs in the majority of institutions, particularly state institutions, where individuals, businesses, and other entities face it in their operations. However, it is impossible to define this form of corruption properly (Dr. Štefan Šumah, 2020, p. 143).

Administrative corruption is often seen as a type of corruption that primarily involves bribing lower-level employees to avoid meeting commitments or "jump the queue" when allowing a transaction (Pope, 2003; Daravani et al., 2012). On the other

hand, the phrase is frequently defined too broadly, resulting in confusion with political corruption, or these two types of corruption are viewed as one. (Philp, 1997; Della Porta and Vannucci, 2016; Mousavi and Pourkiani, 2013; Mousakhani and Rahmani, 2013, Ceva and Ferreti, 2017).

Administrative corruption, on the other hand, is a broader concept that encompasses more than just lower-level employees (granted, it can be difficult to distinguish between administrative and political corruption at higher levels of government) and traditional bribes. (There are also forms of accepting, facilitating, or giving undue advantage).

Administrative corruption sometimes focusses on Bribery (or other unjustifiable benefit provision) in the provision of legal services, where corruption occurs so that a firm can start running smoothly, processes can be expedited, and so on. bribery (or other unjustified benefit provision) for the provision of illegal services or illegal acts with a violation of regulations and laws; and bribery (or other unjustified benefit provision) for the provision of illegal services or illegal acts with a violation of regulations and laws (Pope, 2000, p. 3).

Administrative corruption is considered as the most significant phenomenon, prompting debate and discussion about the need for state and territory governments dedicated to the development and consolidation of a variety of efforts aimed at eliminating the phenomenon of corruption, which has wreaked havoc on the infrastructure of multiple political and socioeconomic areas.

There is no direct link between a country's governance system and corruption; corruption exists in dictatorships as well as democratic countries; however, non-democratic regimes are more valid for corruption in theory incubator than democratic regimes, because democratic regimes have parallel and independent authorities, as well as the availability of free and fair elections, peaceful power rotation, and freedom of expression, How can a peaceful transfer of power, freedom of expression, a free press, and an independent court that is unbiased, fair, and efficient be so difficult or risky, with unclear outcomes.

The practice of corrupting transaction data in administration is known as small corruption, administrative or bureaucratic corruption, restricted corruption, or insignificant corruption, which may take the form of a transfer of funds or secondary

benefits, such as bribery, promoting, accelerating specific transactions, hiring relatives, friends throughout non-leadership positions, which is far less corrupt and has a lower impact threat of grand corruption or political. (Burak, S. A. O., and A. M. A. Alghandouri, 2018, p. 38)

Which is the abuse of public power to acquire personal advantage. The researcher argues that corruption stems from a lack of integrity, followed by a disregard for the laws, regulations, and directions that control life and society, as well as a misuse of the public interest.

Financial corruption is described as “the use of public influence to obtain profits and gain or influence at the expense of others or the expense of laws, regulations, and directives.” It is sometimes referred to as the “illegal squandering of public funds, project brokering, and arms trade.” Financial corruption, according to the researcher, is a collection of financial aberrations that violate financial regulations and provisions, such as embezzlement of public funds and trading (Al Hosseini, M. M., Al-Tamimi, L. A., & Kadhim, E. H., 2019, p. 60)

Financial corruption in the form of bribes, misappropriation of funds, tax evasion, and land allocation, as well as nepotism in career appointments, can be seen in the state's financial position deviations and violations of financial rules and provisions governing how administrative and financial work in the state and its institutions, organizations, and companies. (Burak, S. A. O., and A. M. A. Alghandouri, 2018, p. 40)

The Public Company Accounting Oversight Board (PCAOB) made guidelines in 2011 to aid auditors and responsible management in deterring, discovering, correcting, and equitably managing fraudulent conduct in businesses, which led to the birth of fraud theory. Dorminey et al. (2012) established their meta-model concept based on the fraud triangle, which was first conceived in the United States in the early 1950s. The origins and evolution of the concept of the financial fraud triangle were studied by the authors. Financial fraud began with the introduction of trade and before what was added to the History of the National Loans of the United States from July 4, 1776, to June 30, 1880, according to Kindleberger and Aliber (2011).

The writers followed barter traders' activities from the first financial fraud report at the British East India Company in 1600 through more recent events like

Enron and Tyco. Dorminey et al. (2011) coined the term “financial fraud” and linked it to the A-B-C white collar fraud methodology. On the other hand, Kranacher et al. (2012) discovered a discrepancy between financial fraud and income levels.

The researcher defines financial corruption as a group of financial deviations in violation of financial rules and provisions like misappropriation of public funds yet as trading through the job and is one in everyone economic crimes.

Financial corruption is outlined as "the misuse of public influence to gain profits and gain or influence at the expense of others or the expense of laws, laws, and directions." (Bkou and Ahmad, 2012, p. 119)

The research worker defines financial corruption as a collection of financial deviations in violation of financial rules and provisions like misappropriation of public funds additionally as commerce through the duty and is one of the modern economic crimes.

In reaction to the significant cost of management and financial fraud claimed that while the stocks of companies that fall victim to fraud lose value, the managers of those companies tend to disregard decent, moral, and ethical norms. In their theory of planned behavior, highlighted the unique instincts of individual managers as an important part of ethical responsibility.

The thought of administrative corruption is defined as “moral deviation at the managerial level of senior officials and public servants through bribery, thieving, fraud, forgery and the sale of state funds at low costs for personal interests.” (Bkua & Ahmed 2012). Corruption refers to all sorts of deviation, power abuses, or illegitimate use of activity positions (Bkou and Ahmad, 2012, p. 119)

The researcher defines administrative corruption as an abnormal behavior that happens once somebody tries to attain his interests at the expense of the general public interest by exploiting the position in which he's.

The researcher believes that through this research, financial and administrative corruption can be viewed as an unwanted change in the treatment of the public and private sectors, which represents a deterioration of public trust, or a violation of laws, policies, and procedures put in place for the public good, for the purpose of achieving personal gain. At the expense of the community, by offering or accepting bribes or concessions, and by misusing position and influence in public organizations

Because there is no single definition for financial and administrative corruption, they all revolve around one content, which is the abuse of public authority or public office for personal gain, and the concept of corruption is associated with evil in the minds of many people, and it may be the sincerest. It is defined as "the misuse of public influence for private gain" by the Encyclopedia of Social Sciences.

2.2. THE CONCEPT OF FINANCIAL AND ADMINISTRATIVE CORRUPTION

Corruption is a term that has been used in numerous works of literature, history, and politics, and it was mentioned in the heavenly books to warn people and make them aware of the bone of those who are affected by this problem. This is why interpretations of its meaning have varied, and we shall present the concept of this phrase in what follows: It is claimed in language that (corrupt) a thing, (corrupt) by annexation, and (corrupt it and corrupt) and corruption is against interest (Al-Razi, 1983, p. 503).

Corruption is also characterized as evil or malevolent behavior or practices that cause sterility, drought, calamities, or harm. (Dr. Ahmed Mukhtar Abdel Hamid: p.3771). (Al-Maksousi, A. A. H. A., 2020, p. 11220)

There are many definitions of financial and administrative corruption because there is no single definition for it, but they all revolve around one content, which is the abuse of public authority or public office for personal gain, and the concept of corruption is associated with evil in the minds of many people, and it may be the sincerest. The Encyclopedia of Social Sciences defines it as "the misuse of public influence for private benefit." This encompasses all types of bribes paid to municipal, national, or political officials, but excludes bribes paid between sectors" (Stuart, 1999, p. 22).

Administrative corruption is described as behaviors within the administrative apparatus that cause that apparatus to deviate from its goals in favor of private goals, whether on an individual or collective basis (Daoud, 2015, p. 99).

Financial and administrative corruption, according to the World Bank, is the misuse of public power for personal gain. Corruption is defined as "any act that includes the misuse of public authority to attain a personal self-interest for himself or his organization," according to Transparency International. The International

Monetary Fund (IMF) defines it as (a planned long-hand relationship aimed at achieving benefits for one person or a group of individuals tied to others) (Imad Salah, 2003, p. 32). (Al-Maksousi, A. A. H. A., 2020, p. 11221)

Financial and administrative corruption is also described as any deviation of employees' power from the aims specified by law (Al-Salem, 2003, p. 303). The researcher believes that through this research, financial and administrative corruption can be viewed as an unwanted change in the treatment of the public and private sectors, which represents a deterioration of public trust, or a violation of laws, policies, and procedures put in place for the public good, for the purpose of achieving personal gain. At the expense of the community, by offering or accepting bribes or concessions, and by misusing position and influence in public organizations. (Al-Maksousi, A. A. H. A. 2020, p. 11220-11221)

2.3. IMPACT OF FRAUDS AND THEIR STATISTICS

To satisfy certain types of stockholders, financiers, and insurance carriers, some private firms are required to file financial statements with the (US Securities and Exchange Commission) SEC (Shaftoe, n.d.). However, unlike publicly traded companies, most private businesses are not required to produce financial statements. Although they are not mandatory, yearly external and/or audit procedures have been shown to lower a company's fraud losses.

According to AICPA research, organizations that do yearly audits had 35% lower median fraud losses than those who do not conduct Audits, whether internal or external (Ochs, 2007). Fraud losses are substantially higher in organizations which do not conduct external audits.

Furthermore, the ACFE determined that in 2002, relative's private entities accounted for the greatest number of fraud cases, accounting for 31.9 percent of all fraud cases ("Report to the Nations on Occupational Fraud and Abuse," 2002). (Sprague, A., 2018, p. 11-20)

This high rate of fraud in family-owned private enterprises may well be due to management having faith that external audits are unnecessary because they are run by a family and are frequently smaller.

According to the Association of Certified Fraud Examiners, a well build company can lose up to 5% of its yearly income due to fraudulent activity ("Report

to the Nations on Occupational Fraud and Abuse," 2014). According to one study, fraud-related losses might amount to more than three percent of total company expenses in 75% of situations. Over the course of seventeen years, the average fraud loss was larger than 5%. Furthermore, typical fraud losses have increased by about eighteen percent in the last two years (Gee & Button, 2015).

For businesses that do not take effective fraud prevention measures, a million dollars (on average) every 2 to three years can become a frequent and significant issue. Management may believe that because their organizations are so close-knit, fraud will not occur. However, this is frequently the situation in which a fraudster can exploit the company's trust.

Executives at smaller, privately held and/or family-owned businesses feel their companies have less fraud than the norm. Fraud, on the other hand, harms smaller, private enterprises more since the losses from fraud represent a higher proportion of revenues from smaller private enterprises. Because they do not feel fraudulent actions will occur in their small community, private company executives of smaller enterprises may decline to have an external audit performed by a certified public accountant.

Although fraud is costly for all businesses, small private organizations are significantly less likely to undergo external audits than larger corporations. "Only 56% of enterprises with less than 100 employees covered in the survey had their financial statements externally audited, compared to 91% of businesses with 100 or more employees' (Tysiac, 2012). Fraud not only costs a company one million dollars on average, but it also has other consequences, such as weakening employee morale and reducing the number of possible new hires, as well as tarnishing the company's reputation. All of this has the potential to bring a company to its knees, making an external audit suddenly worthwhile.

Employees may experience distress because of a fraudster invalidating their hard work. They may get dissatisfied since an employee or employees unfairly damaged the company after putting in long hours only to see it evaporate through fraud. Some employees may leave the company because of their dissatisfaction. Employee turnover could be costly for the human resources department if preventive measures are not put in place to combat fraudulent actions.

This drop in employee morale would necessitate corporations putting forth great effort to discover and hire new hires to take the place of those who have left. It may be difficult to attract top recruits while keeping a low staff turnover rate if potential new workers learn about the disgruntled employees. All this merely adds to the expenditures for businesses.

Because the total cost of fraud is difficult to determine, this is just a small portion of the total cost of fraudulent operations for a company. This true cost includes the one million average direct cost of fraud, as well as indirect fraud costs like the time it takes to restore the company's reputation. Fraud has a high monetary cost and a negative influence on a company's reputation.

2.4. HOW FRAUD AND CORRUPTION OCCURRED

Knowing that anyone may commit fraud is a crucial part of comprehending how fraudulent actions can arise in businesses. The majority of those who commit fraud do not appear to be criminals. This is because society's definition of a criminal does not always apply to employees who commit fraud within a company. Even if employees have been honest for a long period, they can nevertheless commit fraud if they are faced with dire financial conditions or believe they exist.

2.5. THE TRIANGLE OF FRAUD

Dr. Donald Cressey, a fraud criminologist, created the fraud triangle to show how frauds work (Pavlo, 2011). The three components of the fraud triangle, according to the Association of Certified Fraud Examiners, are recognized financial necessity, perceived possibilities, and justification. When an employee is in unsustainable debt as a result of a personal catastrophe, such as a separation or the desire to live a wealthy lifestyle, there is usually a financial obligation. It could possibly be linked to the employee's unhealthy habits, which range from gambling to drug abuse. All of these factors place a person in a precarious financial situation.



Figure 3: The fraud triangle

<https://www.ethicssage.com/2021/04/do-dark-triad-personalities-explain-aggressive-accounting.html>

The first part of the fraud triangle are incentives and pressures. Top management sets the tone for incentives and pressures inside the firm, which is critical in any business. This is referred to as “top management commitment.” Employees are unlikely to follow ethical rules if management cuts shortcuts or places little emphasis on doing so. As a result, employees may be enticed to commit fraud. Another motivation may be that the person has a gambling addiction, loves a rich lifestyle, wants to advance quicker in the company, is going through a liquidation, or has some other reason.

On the other hand, argued that the Individuals' motive to perpetrate fraud is typically linked to personal or business restrictions. External factors, justification, or sheer opportunity can all affect a person's decision to commit fraud. He claimed that a person's position within the organization influenced the likelihood of deceit. He also considered that the ability to commit fraud and the ability to hide the deceit are inextricably linked.

Thus, recognizing the possibility of fraud enables auditors to identify which fraud schemes an individual can perform and how fraud risks arise when management's controls do not operate as intended.

When employees grow overly greedy and continually seek more money, they may develop a desire to commit fraud. Employees may take benefit of this fraud incentive if they desire more wealth right away and do not want to wait for money or other assets. These employees may also be hesitant to work hard to accumulate money because of the time it would have taken to be promoted to a higher-paying

position. Pressures might occur when management's bonus payouts are difficult to obtain and/or unreasonably large (Frost, 2012). Employees who are paid based on financial success may perceive fraud as a method to receive their hefty bonus or meet management's excessive performance expectations.

This is especially true when the performance measures appear to be out of reach for any employee. For example, they could try to produce a considerably higher quantity of sales this year compared to the prior year, making the incentive appear too difficult to achieve. Companies can prevent this fraud motive by connecting bonuses to non-financial data as well as financial success, especially during difficult economic times when employees have less control over their performance.

Although incentives have a significant impact on fraud, they are not the only motivators for employees to engage in fraudulent behavior. The opportunity component of the fraud triangle is the second component. In order for fraud to occur, the possibility of it must exist. For example, a business employee might discover that no one double-checks the vendors in the accounting systems over which he or she has complete control; the employee is completely responsible for the inclusion and/or deletion of vendors.

This gives the employee the opportunity to construct a bogus vendor to whom the corporation pays payments. Any checks from the fictitious vendor may then be sent to the employee. Because there is no managerial monitoring of this employee's responsibilities, the corporation unintentionally pays the employee instead of the fake vendor. A complicated organizational structure or a lack of transparency in the accounting system are two other examples of situations where employees may be tempted to commit fraud (Frost, 2012). If the corporation lacks a clear hierarchy, an overly complicated organizational structure could be a concern.

If management delegated this job to numerous employees, a clear definition may not exist, making it difficult to design an organizational structure. Outside parties, such as the Inland Revenue Department, are confused by a complex organizational structure, which masks a company's income sources (IRS). This can be seen in the 2002 Enron scandal. To conceal income streams, management kept some transactions off the balance sheet (Frost, 2012). Because it exposes employees to the possibility of committing fraud, the scenario conforms to the fraud triangle; it

underlines the possibility of circumventing internal controls or completely ignoring them.

A lack of transparency inside a business presents itself in a variety of ways, the most prevalent of which are difficult-to-understand financial transactions that are usually overlooked.

Rationalization is the final part of the fraud triangle. The employee must explain why he or she committed the deception. Most people aren't naturally corrupt, but given enough time and effort, they can rationalize anything. Consider an employee's thought process: 'Well, they don't pay me enough here,' for example. 'I work harder than the majority of my coworkers, yet I still haven't gotten a raise like X over there.' Employees could even justify it by telling themselves things like, "When I pay off my loans, I'll give the money back," and so on. Both reasoning can take a fraudster down a dangerous path from which it may be difficult to return.

Some people believe they can get away with anything because they are "better than the system" (Frost, 2012). A corporation's best method to controlling this is to focus on human resources. They can conduct interviews with potential future employees and try to prevent anyone with this haughty attitude from ever working for the company. Methods can be used by businesses to prevent fraudulent conduct. Companies should take preventative measures such as requiring employees to take holidays, separating jobs, hiring people with the right attitude, and encouraging employee tip-offs. Brown (2015). (Sprague, A., 2018, p. 11-20)

Corruption classification

Corruption classifications. It's tough to discover, and it's usually the means of intermediaries and its corruption. It's a crime. Likewise, it's corruption through intermediaries and not direct, its types of its Corruption according to size

- Small corruption: the most unnoticed practitioners are junior staff or entrants. Low and includes bribery or thievery. –
- Major corruption: the kind is extremely expensive. So it's a lot of dangerous than the first kind for several people interested.

2.6. CORRUPTION ACCORDING TO AREAS

Political corruption: It concerns all financial deviations and breaches of rules and rules. Regulates the functioning of political institutions in the State. And there's

a fundamental difference between communities. Their political systems result in democratic methods, and between States where governance is established Dictatorial, whose manifestations are the loss of democracy, the State system's control over murderers, and spread of nepotism

grand corruption is political corruption, which is spreading in the highest political circles of power, where the grippers on the political decision use their authority, influence, position, priorities, legislation to consolidate their wealth detail policies, which is the most serious type of corruption, the most complex and impact on communities, nations, and the most difficult in the treatment.

Financial corruption: It is represented in the total financial deviations and violation of financial rules and provisions regulating the financial workflow in the state and institutionally, and violating the circulars for the financial control concerned with examining and controlling accounts and funds, and their manifestations can be seen in Bribery, embezzlement, tax fraud, land allocation, nepotism, and the spread of Nepotism

Domestic corruption: It goes deep into the manifestations of corruption, and these administrative, functional, or organizational deviations. Irregularities made by a public official in the performance of functions in a system Legislation, laws, controls, and the system of individual values. Our manifestations are abstinence or inaction, lack of responsibility, disclosure of job secrets, and nepotism. In career appointments, their manifestations are multiple and overlapping and cause a proliferation of other manifestations.

Moral corruption: It is represented in the total moral and ethical deviations related to one's behavior The personal employee and his behavior, such as performing indecent acts in the workplace or combines the job with other external works without the permission of his management, or he takes advantage of the authority to achieve Personal goals if at the expense of the public interest or to practice favoritism in all its forms without regard to considerations of competence and merit.

Cumulative corruption: the most important thing that state administrations suffer from is cumulative corruption because of the absence of oversight Strict management and the absence of the principle of reward and punishment, the legal

and financial abuses of the official Every employee in state institutions is encouraged to commit similar transgressions, which leads to the accumulation of corruption, and its increasing spread in state administrations. It includes bribery, embezzlement, theft, and favoritism

2.7. CAUSE OF CORRUPTION

Although corruption differs from one country to the next, some underlying common driving components that produce it may be found. (Vensson J., 2005, p.19-42) identified what is common to all the most corrupt countries: With a few exceptions, they are all developing or transition nations, with low-income countries, most countries have a closed economy, religion has a noticeable effect (Protestant countries have far the lowest amount of corruption), poor media freedom, and a relatively low level of education.

Whatever is said, corruption cannot be judged objectively since there is never a single phenomenon responsible for its occurrence and growth; corruption always results from a collection of many, interrelated causes that might differ greatly from one another. Among the most mentioned elements that impact the establishment of corruption are political and economic settings, professional ethics, and regulations, as well as simply ethnological variables such as customs, habits, and traditions.

2.8. POLITICAL AND ECONOMIC ENVIRONMENT

The political and economic settings have a significant impact on corruption. The higher the country's economic activity is restricted and restrained, the greater the authority and power of authorities in decision-making, and the greater the potential of corruption, because individuals are prepared to pay or offer money to escape limits. Corruption is quite likely, especially if officials are subject to regulation and have decision-making ability.

According to Dimant E. (2014), the amount of efficiency in public administration determines the extent to which corruption may find fertile roots and flourish. The quality of laws and licenses determines such efficiency, because weak and imprecise regulations contribute to an increase in corruption in at least two ways:

Corruption is also highly impacted by the poor salary of public administration personnel (state officials), who try to better their financial situation by accepting

bribes, and therefore the socioeconomic situations of government officials have an impact on the phenomenon of corruption. Allen F, Qian J, Shen L. (2015) illustrate this in their study, where they discover that corruption arises because agencies, establishments, and the government can no longer effectively control abuse of power due to underpaid executives, which is a problem especially in developing nations where there is insufficient tax revenue to properly reward local officials.

However, low payment is not the only cause of corruption; a poor condition of public administration, caused by political “overcrowding” of officials, in which loyalty usually takes precedence over professional standards, also has a substantial influence on corruption. According to (Sardoska EG, Tang TLP, 2019, p. 495-517), contentment with the job done by officials is a crucial factor affecting corruption—the more they are dissatisfied with their work or place of employment, the higher the degree of corruption.

2.9. PROFESSIONAL ETHICS AND LEGISLATION

Lack of professional ethics and inefficient laws controlling corruption as a criminal offense, as well as its prosecution and punishment, are also key contributions to corruption's genesis and spread. Ineffective corruption punishment has a big effect since it just increases the chances of those implicated continuing corrupting activity while also raising the likelihood that others may join in the fraud because of this ineffective punishment.

Corruption leads to a lack of transparency and scrutiny by supervisory bodies. As a result, corruption thrives where there is insufficient legal foundation or political will to govern, allowing for a non-transparent functioning of both politics and the economy. Corruption is also impacted by large, ambiguous, or insufficient legislation, which can be construed in a variety of ways (for the benefit of the one who pays).

2.10. HABITS CUSTOMS, TRADITION AND DEMOGRAPHY

Melgar et al. [18] conducted a study called Perception of Corruption to determine who is willing to pay the highest price for corruption. They found that those who believe there is a lot of corruption are also willing to pay a high price for it (as they think and expect of the society to function that practical way). It has been

demonstrated, using a variety of data and econometrics, that socioeconomic status and personal traits have a major impact on corruption perception at the micro level. While unemployed people, people who work in the private sector, or people who are self-employed are thought to have a positive correlation with corruption perception (they are more willing to pay bribes), married people, full-time employees, people who frequently attend religious ceremonies, and people with at least a secondary education are assumed to have a negative correlation with corruption perception (they are more willing to pay bribes) (they perceive less corruption and are also unwilling to pay). (N. Melgar, M. Rossi, and T.W., Smith, 2010, p. 120-131)

Another important factor that impacts corruption is demographics. According to some research, patriarchal civilizations are more prone to corruption. Several studies have discovered that both men and women are corrupt to differing degrees. Several prior, primarily economic, contributes to the argument about whether men are more corrupt than women. It has been suggested that having more women in government reduces the level of corruption. Women are more trustworthy and less prone to corruption, according to World Bank research of 150 nations in Europe, Africa, and Asia [20], which found that women are more trustworthy and less prone to corruption. (Dollar D, Fisman R, Gatti R., 2001, p.423-429)

Further studies later confirmed the subsequent findings. Rivas confirms this in his research and comments that, based on the survey results, the conclusion may be that women are less dishonest than men and that increasing the number of women in the labor market and in politics will aid in the battle against corruption. (Rivas MF., 2013, p. 10-42)

In the survey: Engaging in corruption—the role of cultural values and the contagion effects at the micro-level, Lee and Guven asked whether males are more corrupt than women. The study's findings support the hypothesis that women are less prone to corruption than men, particularly in cultures where men are expected to be ambitious, competitive, and economically successful, as these qualities strongly lead to unethical behavior. (Lee WS, Guven C., 2013, p.287-300)

This was unexpectedly successfully demonstrated in practice, when the Peruvian government chose a decade ago to include more women in police units in the name of gender equality. When 2,500 female police officers were assigned as

traffic cops, something unexpected happened: bribery was substantially decreased, and people welcomed the female cops on the streets. (Karim S. Madame Officer. 2011)

2.11. CAUSES OF ADMINISTRATIVE CORRUPTION

- Political reasons: The stronger the connection between society and government bodies (parties, organizations, authorities), the less corruption and contrariwise.
- Civilized reasons: is that the degree of urbanization, progress, and urbanization within the country, the more developed and a lot of civilized countries, the less corruption and the other way around.
- Organizational reasons: this can be painted by the existence of a structure that's not in line with the values and aspirations of the community (job slack, red tape, strict control additionally to traditional and centralized management).
- Values (moral): The collapse of the ethical system and the value of the individual like traditions, customs, customs, fear of God.
- Economic reasons: is that the unfair distribution of the wealth of the country that cause (fluctuations within the market high costs, poor living conditions, poor wages, that results in the employee's disappointment, particularly in a very country like Iraq has several options make it vulnerable to corruption.
- The higher the level of awareness of the administrative environment, as well as the level of culture and resistance to deviant behavior, the more vulnerable. Some indicators are as follows:

A - Weakness of administrative leadership: There is leadership and management in administrative work, but it is not necessary to be a successful manager to be a successful leader, so many managers do not have the qualities of leadership, whether to manage people or property, but they can be managers. Although successful, they lacked the characteristics required to serve as administrative leaders

B - Poor selection of workers.

C- Misallocation of powers and responsibilities.

D- Lack of clarity of instructions.

E-Weakness of monitoring and follow-up bodies... (Bahia, A. K., 2014, p.96)

2.12. THE CAUSES OF ADMINISTRATIVE AND FINANCIAL CORRUPTION IN IRAQ

Iraq's administrative and financial corruption reasons There are numerous grounds for financial and administrative corruption, some of which are social, some of which are political, and some of which are economic, with the following being the most important.

- The lack of social balance, which refers to the balance between members of society in terms of living standards rather than income levels, in which money is present with members of society and disseminated among them to the point where everyone may live at the general level (Al-Sadr, 1981, p. 708).
- A decline in job ethics and misuse of position, as there has been an increase in debate about management ethics with the rise in ethical scandals and the development of administrative and economic corruption manifestations as a result of regional regime retreat. The related measures are nothing more than the tightening of control circles and the strengthening of specific norms of behavior, which increases the level of complexity in cheating on the basis of every intended restriction (Radi, 119). As an example, the report of the Inspector General for Iraq Reconstruction revealed the indictment of the former president and CEO of Louis Berger Group for criminal fraud in hundreds of millions of dollars in international reconstruction contracts.
- A drop in job ethics and positional abuse, as there has been an increase in debate over management ethics as a result of the growth in ethical scandals and the development of administrative and economic corruption manifestations as a result of regional regime retreat. The linked measures are nothing more than tightening control circles and reinforcing certain behavioral norms, which raises the level of complexity in cheating on the basis of every targeted restriction (Radi, 119). The report of the Inspector General for Iraq Reconstruction, for example, disclosed the indictment of the former president and CEO of the Louis Berger Group for criminal fraud in hundreds of millions of dollars in international reconstruction contracts.

- Coverage and obscurity for some higher-level officials, as numerous imprecise accounting procedures are used to separate the initial sources of income from the proceeds of public monies in order to avoid financial and administrative accounting (Al-Khudairi, 2003, p. 55).
- Inflation, which is an increase in individuals' means of payment and thus an increase in total demand for consumption goods by an increase that the total supply of these goods does not respond to, resulting in high prices and a decrease in the value of money, which some used to justify bribery, embezzlement, or other forms of corruption. Administrative and financial.
- The loss of the law's prestige and effectiveness when it is not enforced to explicit violations, which leads to stealing. For example, in 2006, the "Iraq Study Group" estimated that the rate of theft was around (180) million barrels (Paul, Nahuze, 2007, p. 169).
- Dysfunctional economic policies, which fail to achieve balance or fairness in the distribution of economic resources to the population, resulting in an imbalance in income distribution among groups and segments of society. (Al-Maksousi, A. A. H. A., 2020, p. 11223)

2.13. FINANCIAL AND ADMINISTRATIVE CORRUPTION

MANIFESTS ITSELF IN A VARIETY OF WAYS. CORRUPTION IN THE FINANCIAL AND ADMINISTRATIVE SECTORS HAS TAKEN NUMEROUS FORMS, INCLUDING:

- Bribery occurs when a person obtains a monetary reward in exchange for passing or carrying out actions that are illegal or unethical.
- Patronage: the transfer of what groups (parties, regions, or influential families) of activities by leveraging their power without claiming them initially.
- Favoritism: Any improper benefit granted to one party over another, such as in contract and tender awarding, leasing contracts, and investment in specific places.

- Mediation: Any involvement by an individual in a functional position or a political organization to help a person who does not deserve to be appointed, contract assigned, or employed in the office, as well as others.
- Extortion and Forgery: Taking advantage of his or her status through legal or administrative justifications or concealing the instructions relevant to the persons concerned, such as in tax departments, presenting a false school certificate, or fabricating money.
- Public money looting: This refers to the abuse of authority to dispose of public funds in contravention of instructions, or the theft of oil wealth through job site exploitation.
- Corruption at the crossroads of laws and regulations: This corruption is linked to the laws and regulations that control the legal system, property rights, banking and credit, and external funding.
- 8- Delays in completing transactions: This corruption is limited to the process of completing transactions, especially important and urgent transactions such as pension and nationality money transfers, passport risks, and supporting documents confirming the legality of the issuance of certificate or official books.

(Al Hosseini, M. M., Al-Tamimi, L. A., & Kadhim, E. H, 2019, p. 61)

2.14. ECONOMIC CONSEQUENCES OF CORRUPTION: CORRUPTION HAS NUMEROUS DETRIMENTAL CONSEQUENCES IN ECONOMIC VARIABLES SUCH AS

Its effect on promoting inflation:

One of the most significant economic problems witnessed by the Iraqi economy after a year is the problem of "inflation," where the proportion has increased significantly, due to structural imbalances and the management of ministries and institutions by many inefficient officials who have contributed to the events of crises and to the promotion of cases of financial corruption in the country. The slow rise in prices began with the oil product issue, then went to the transportation sector, and finally accelerated with the escalation of the energy crisis.

The impact of corruption in promoting unemployment:

The problem of unemployment in Iraq worsened after 1991 as a result of the imposition of economic sanctions on him, forcing many employees to leave their jobs and work in the private sector or the market to meet their basic needs, but the change that occurred in Iraq in 2003 resulted in deeper unemployment and all kinds (disguised, frictional, compulsory) due to the dissolution of the Iraqi army and some security

The Effect on Economic Growth, the impact of corruption on economic growth is the most significant since it is a "depressor" of economic growth, reducing both domestic and international investment. The Impact of Corruption on Foreign Indebtedness As a result of the former regime's reckless adventures in entering several wars, including the Gulf War and the invasion of Kuwait, as well as the devastation and debts caused by Iraq, the Iraqi economy bore enormous burdens in the form of large debts in favor of foreign and Arab countries, which burdened the state and became one of the most significant obstacles to its development process. And, as a result of financial corruption, it is now heavily in debt to the rest of the globe. There is a large body of empirical evidence demonstrating that corruption harms economic growth by causing harm to international investors and foreign donors, planning, taxation, small private investment, entrepreneurship, and so on. Amundsen (Amundsen, 1999). Ata and Ata, A. Y., & Arvas (2011) found negative relationships between levels of corruption and aspects of economic development. Thus, it is apparent that countries with poor economic performance have a higher level of corruption (Ksenia, 2008; Transparency International, 2011, 2012, 2013, 2014, 2015). Moreover, Othman et al. (2014) argue that There is a link between corruption and economic progress since data shows that emerging countries frequently have greater levels of corruption than industrialized countries. According to Nwabuzor(2005)., corruption has a detrimental impact on any nation's economic growth and development, Nwabuzor mentions a decline in investment as a barrier because investors see corruption as an extra expenditure that has a detrimental impact on the company bottom line Furthermore, there is a substantial body of empirical data linking economic development with corruption, indicating the relationship between slower economic growth and higher levels of corruption (Ahmadi & Homauni, 2011, Atuilik, 2013, Othman et al., 2014).

2.15. EFFECTS ON DOMESTIC AND FOREIGN INVESTMENT

Corruption has a considerable negative influence on both domestic and foreign private investment and is considered as a barrier to economic growth and development (Ahmadi & Homauni, 2011; Atuilik, 2013.) According to Lambsdorff (2005), corruption increases the risks of investment because economic theory predicts that corruption reduces the investment-to-GDP ratio. Corruption not only stymies local investment, but it also makes a country unattractive to foreign capital.

According to Mauro and Tanzi (1998), bribery has a negative impact on investment since it appears to be an additional tax and reduces investment incentives. This argument is based on the idea that corruption is a form of tax that boosts production costs and, as a result, decreases citizens' living standards (Atuilik, 2013). Bribes may be demanded before making any investment or negotiating the establishment of a company, and large payments are regularly made during the process of forming a company (Myint, 2000). According to Mauro (1998), investors are frequently requested to pay bribes before starting a firm. Because of these heinous deeds, corrupt authorities are a problem rather than a solution (Myint, 2000).

In addition, there is no factual proof to substantiate the concept that corruption benefits a nation. It is also more realistic to conclude that corruption harms any society's national economy and well-being. Mitigating the repercussions of corruption is so critical (Atuilik, 2013). Both Mauro (1998) and Atuilik (2013) agree that corruption benefits no business, even in the face of a slow bureaucracy. Their remarks are based on the fact that corruption lowers economic growth by reducing private investment, accounting for at least one third of corruption's overall negative influences.

2.15.1. The Rise of an Underground Economy Corruption

An underground economy may emerge when company owners have the potential to escape government taxation or onerous restrictions (Choi & Thum, 2005). Dreher and Schneider (2010) discovered that in emerging nations, corruption and the extent of the shadow economy complemented each other. As a result, a higher level of corruption considerably encourages individuals to engage in illegal economic activity.

Underground economic operations are frequent in many parts of the world, but they are especially prevalent in areas where corruption is prevalent (Myint, 2000). There are two sorts of subterranean economic activity, according to Myint (2000). The first group includes criminal operations like drug trafficking and smuggling. The second category includes legitimate actions that are not officially recognized yet may result in tax avoidance. Essentially, corruption fosters these activities and contributes directly to the growth of the underground economy (Myint, 2000).

2.15.2. Administrative and Financial Effects

Corruption has a negative impact on administrative and financial productivity and effectiveness, resulting in poor accountability and performance as well as a drop in the quality and delivery of public services (Mollah & Uddin, 2000). Furthermore, corruption causes a lack of accountability in government institutions, which leads to defects in the government's governing agencies over time (Klitgaard et al., 2000; Monfardini, 2010). Corruption has an impact on the administration's ability to function by decreasing the quality of services supplied to citizens in a given economy (Mauro, 1998). This poses a significant burden on firms that are constrained by under-the-table payments, for example, because these enterprises may strive to save costs by taking shortcuts, resulting in a price increase for their goods and services (Nwabuzor, 2005). Corruption may also lead to poor quality and bureaucratic processes, allowing for nepotism and the hiring of public workers without regard for their efficiency or credentials (Gounev et al., 2012). Unfortunately, this kind of activity may result in the misapplication of the nation's abilities and labor, with many qualified and skilled workers remaining unemployed (Nwabuzor, 2005).

Corruption has clear financial effects, which are reflected in both the revenue and spending sides of government budgets. It does so by paying bribes in exchange for lower taxes, customs fees, dues, and other public service prices such as water and electricity, which is common in many countries (Myint, 2000).

Previous studies have shown that countries with higher levels of corruption may equally have a lower income generated from taxes (Friedman, Johnson, Kaufmann, & Zoido-Lobaton, 2000; Johnson, Kaufmann; Lambsdorff, 2005). Furthermore, the harmful effects may also come from the bribes taken by corrupt officials from foreign companies, effects which remain for several years on the

revenue side and, consequently, damage the national economy. Misappropriation, embezzlement and fraud of public funds add to the losses and damage the national economy (Myint, 2000).

The consequences for government finances on the expenditure side are considerably worse, as unscrupulous officials try to divert large sums of money into various unlawful agreements (Myint, 2000).

This is because those who engage in these corrupt practices seek to benefit personally by collecting significant expenditures, particularly from high-priority national initiatives, which are carried out in a subtle and hidden manner (Myint, 2000). Lambsdorff claims that (2005),

In essence, extreme expense on defence and other corrupt deals may distort a government's spending plans, as less finance will be available for social programmes (Atuilik, 2013) with insufficient money being spent on education and health (Lambsdorff, 2005; Myint, 2000). For instance, spending on textbooks, teachers' salaries, development projects in rural areas, training and development and preventive health care should have been prioritized (Myint, 2000).

According to Ahmadi and Homauni (2011), the main causes of financial corruption include: weak management of administrative system, restricted access to information, complex rules, changing political atmosphere, lack of credibility and authority in the judiciary, limited economic interaction and lack of growth of global trade.

2.15.3. Political Effects

Corruption may also be a serious impediment to a country's political progress (Nwabuzor, 2005). According to Amundsen (1999), political systems are affected by two sorts of corruption: those pertaining to the degree of state authority in the execution of laws and those relating to the strength of its institutions. In a democratic nation, or more precisely in a nation governed by laws and where civil liberties are protected and the division of power between groups and organizations is appreciated and efficient, for example, the incidence of systemic corruption can be revealed by auditing and controlling bodies, freedom of press and other media, the police, or the opposition. As a result, corruption could be abolished by legal action or in the next

election. Ideally, political corruption in democratic institutions is seen as very limited (Amundsen, 1999).

In Under obligations of these conditions, uncontrolled corruption will typically weaken political legitimacy and the actions of state institutions, with the potential to destroy government structures and capacities (Nwabuzor, 2005). A number of studies have found that corruption reduces trust in government (Kumlin & Esaiasson, 2012; Solé-ollé & Sorribasnavarro, 2014).

Democratic corruption is frequently viewed as a severe danger to political institutions and the erosion of public confidence (Solé-ollé & Sorribas-navarro, 2014). It may also undermine the legitimacy of elections by purchasing votes or other ways, causing harm to political and economic institutions. (Blechinger, 2005). An underlying principle of democratic and political structures is the assumption that governments' acts must be accountable to the citizens (Przeworski, Stokes, & Manin, 1999). As a result, government officials abusing entrusted public funds for personal benefit erodes public trust. To eliminate this process, officials should be held accountable to the people (Bardhan, 1997).

Otherwise, corruption erodes voters' trust in the political process and erodes democratic norms. As a result, disgruntled individuals may seek to remedy the problem simply opting out of the voting process (Chong, De La, Ana, Karlan, & Wantchekon, 2012). This could lead to the use of less acceptable protest techniques in order to demand radical political change (Kostadinova, 2009; Solé-ollé & Sorribas-navarro, 2014). The most obvious example is the protests that occurred in some countries in the Arab world under the name of Arab Spring Revolutions, and the damaging effects on the political and economic systems of those countries.

2.15.4. Social Costs

Prudential banking standards, environmental restrictions, building codes, and traffic laws are examples of rules that exist in every community to guide the achievement of social objectives and to protect popular interests. Deviating from these rules for economic gain by dishonest tactics can have serious consequences for society. (Myint, 2000).

Corruption raises the degree of poverty by decreasing economic growth and making it difficult to manage corruption (Gounev et al., 2012). Wherever corruption

becomes the norm, progress is hampered, and people in general continue to live in abysmal poverty. Because corruption encourages the diversion of public funds to initiatives that may not benefit the majority of society, social services such as health and education become inaccessible to the poor (Ahmadi & Homauni, 2011; Shleifer & Vishny, 1993).

According to Myint (2000), corruption concentrates wealth in the hands of only a few people, encouraging the unequal distribution of wealth. Most importantly, Myint (2000) It was discovered that the poor and less privileged bear the brunt of corruption's consequences because they lack the financial means to pay bribes or secure proper medical care, adequate schooling for their children, or adequate access to essential services such as electricity, sanitation and waste disposal, and water supply. Furthermore, corruption inhibits international funders, who demand that any funds be used wisely (Nwabuzor, 2005). Corruption, in particular, produces widespread social inequality by requiring the poor to pay bribes in order to receive education, employment, property, housing, food, and the right to participate in a community's cultural life (Transparency International, 2004).

Rich people in a corrupt environment, on the other hand, Bribes are paid in lieu of taxes, or rules and regulations are broken for economic gain (Gounev et al., 2012). As a result, corruption exacerbates poverty by raising social costs while boosting the wealth of those who engage in corruption. (Assakaf, E. A., Samsudin, R. S., & Othman, Z., 2018, p. 76-79)

CHAPTER 3: ROLE OF INTERNAL CONTROL SYSTEM IN REDUCING FINANCIAL AND ADMINISTRATIVE CORRUPTION IN NORTHREN IRAQ

3.1. RESEARCH PROBLEM

Financial and administrative corruption is on the rise in all sectors due to a lack of a clear organizational structure, a lack of a proper accounting system, a lack of detailed procedures for carrying out duties, a lack of competent staff selection and placement in appropriate positions, a lack of a precise system to monitor performance, and a lack of automated means. Use the following query to conduct a search:

What effect do the internal control system have on eliminating financial and administrative corruption?

3.2. THE IMPORTANCE OF RESEARCH

The importance of research arises from the necessity of employing the basic components of internal control systems in the best way possible to benefit from them in various fields, the most important of which is the field of internal control and its impact on reducing financial and administrative corruption due to the seriousness of corruption on the unit's management and other parties.

Research Objectives:

The research intends to accomplish the following:

- Identifying and addressing corruption among the participant In Iraq (financial and administrative).
- List the components of the internal control system.
- Clarifying the role of internal control system in reducing financial and administrative corruption.

3.3. THE HYPOTHESIS OF RESEARCH

Can internally control system help in reducing administrative and financial corruption

Questionnaire Design structure

There are three sections to the questionnaire. The first section of the survey asks general questions about the respondents. Section 2 contains questions asking respondents to rate the impact of internal control systems on their experiences, work environments, and businesses on a Likert scale of one to five, with 1 indicating strong agreement and 5 indicating strong disagreement. Section 3 contains questions that requested respondents to demonstrate the effects of corruption and their implications for businesses.

DATA collection, the completed questionnaires are subsequently distributed to the business' management, internal auditors, chief accountants, and accounting employees. The study employs both online and paper-based surveys utilizing the convenience sample approach; online questions are created in Google forms and distributed to field experts. Paper-based questionnaires are distributed to certified accountants, private internal auditors, and governmental auditors who operate as part of the enterprise's internal control system in Iraq.

3.4. RESEARCH METHODOLOGY

In this research by qualitative analysis questionnaires have been published to northern Iraq governmental office of financial control, accountant that works as internal control from private companies and governmental departments and those with high education certificates. In this study used statistical method and SPSS 21 program.

In this research by qualitative analysis questionnaires have been published to Northern Iraq governmental office of financial control, accountant that works as internal control from private companies and governmental departments and those with high education certificates.

In order to predict the value of the dependent variable for individuals for whom some information concerning the explanatory variables is available, or in order to estimate the effect of some explanatory variable on the dependent variable the regression analysis was done

The regression model statistically significantly predicts the outcome variable with a (p-value) of (0.000), which is less than 0.05. (it is a good fit for the data). This shows that the approach may be used to examine the data, implying that the alternative hypothesis is accepted. The R² value reflects how much the independent

variable (financial and administrative corruption) can explain the overall variation in the dependent variable (financial and administrative corruption) (Internal control). Furthermore, the R Square for this investigation is (0.492). In this example, 49.2 percent of the variance can be explained, which is a significant amount.

3.5. LIMITATION OF THE STUDY

Despite efforts in data collecting, data compilation is not thorough in various ways. The respondents rarely respond to the questions because some organizations and enterprises have a bad experience with these types of studies. Nevertheless, the results have been indicated on scientific foundation. This study's analysis and conclusion are a useful starting point for further research on the function of internal control in eliminating financial and administrative corruption in developing nations.

3.6. LITERATURE REVIEW

The study examined the influence of internal control systems on fraud detection in a sample of Nigerian commercial banks. General Least Squares Regression Analysis, Correlation Analysis, and Panel Data Analysis were used to analyze the data. The results were statistically significant at 5% with a degree of freedom of 95%; the internal control system was 0.532 and 0.423. Fraud detection 0.338, with the correlation being significant at the 5% level, and 0.234. Abiola, I., & Oyewole, A. T. (2013)

The study evaluated the efficiency of Agricultural Development Bank Ghana Limited's internal control system in protecting assets from fraud (ADB), A structured questionnaire was used as data collection instrument to purposefully and conveniently choose ADB workers. The questionnaire items were rated on a scale of one to ten. A total of 37 employees were chosen from the bank's five branches. Descriptive statistics were used to analyze the data. According to the study, the main reasons for fraud were, among other things, a bad internal control system, the presence of unqualified workers, insufficient staffing, poor record-keeping methods, and insufficient training and re-training of staff. Yakubu, I. N., Alhassan, M. M., and other (2017)

It should be noted that the complex automated system of integrated flexible internal enterprise control, predicated on the frame execution of the matrix

representation of the structure and functions, and modern methods of data processing and analysis, employs general scientific methods of study: analysis and synthesis, deductive reasoning and induction, the interrelationship between logical and historical processes, the lookup for cause-effect relationships, and the laws of dialectics. As a specific strategy, the matrix approach is applied (Akhmetshin EM, 2018).

T. Thabit, A. Solaimanzadah, and M. T. Al-abood (2017) used the COSO framework to analyze the quality of the internal control system in Iraq. In Iraq, there has been a dearth of COSO framework research since 2013. The researchers look at how far internal control systems in Iraq businesses deviate from the COSO framework. The Lean Diagnoses Tool (LDT) was used to examine the overview, and it identified a gap between Iraq firms' internal control systems and the COSO framework's requirements. If companies in Iraq update their internal control systems in conformity with international internal control standards, they can use the COSO framework.

The subsequent severe security situation in Iraq has spread the phenomenon of so-called (bribes and gifts), particularly in state institutions; this phenomenon has become a manifestation of state departments that violate the instructions and rules of conduct of state employees and the public and private sectors No. (1) 2006. Financial and administrative corruption has a detrimental influence on individuals and society, and the economic, social, and political costs are high, lowering the prestige of the law and the state and perhaps leading to a breakdown in the social, economic, and cultural environment. Bahia, A. K. (2014)

According to the first survey in the recent year and the study of Bhatnagar (2003), there was an attempt to determine the rate of corruption by the Transparency International (TI) in different countries. The study and survey aimed to determine where there is most occurrence of corruption and proffer solution and state the reasons why the corruption exists in the first place in the governmental department.

According to the ACFE, there are three primary types of fraud. The first of these is corruption, which includes bribery and conflicts of interest. The second sort of misappropriation is asset misappropriation, which involves the theft of cash or payroll systems.

Finally, financial statement fraud is discussed, as well as an example of financial statement fraud. Asset overstatement or understatement M. H. N. D'Oliveira (2019)

Each of the five internal control components was investigated, as well as the efficacy of the control system and its link to financial performance. This study's sample size is 210 people taken from financial institutions in Hyderabad: NBP and Sindh Bank from the public sector, MCB and HBL from the private sector, and Meezan Bank and Bank Alfalah from the Islamic sector. This study's questionnaire is based on a mix of instruments produced by Baker, Castro, Labrena, and Meyer (2005). Despite the fact that the difference is not statistically significant, the data indicated that internal control efficacy is best in commercial banks, followed by public banks, and lowest in Islamic banks. Z. A. Channar, M. Khan, and I. H. Shakri (2015)

A. A. Iyiola and O. O. A. FASESIN (2013) performed a comparative study of internal control systems in Nigerian public and private institutions. The study included a questionnaire, and 12 universities in Nigeria's South West Geo-Political Zone were chosen as the study sample by an intentional selection procedure. Six federal and six private universities were selected. The data collected was analyzed using factor analysis and multidimensional analysis of variance. Internal control methods in Nigerian public and private institutions are the same, according to the statistics, however role fusion is more prevalent in private universities than in public universities.

M. D. Tran and T. T. Ha Le (2018) The purpose of the study is to see how internal control measures affect asset theft in Vietnamese enterprises. The study evaluates the impact of COSO's five internal control components on the popularity of asset theft in Vietnamese enterprises using surveys from internal auditors, accountants, and department managers. According to the research, the control environment has the greatest influence among the five components, followed by control actions, information, and communication in that order. Risk assessment and control monitoring are the elements that have the least impact. In order to successfully lower the risk of fraud in their businesses, company management must improve internal controls, according to the research.

Salehi, Shiri, and Ehsanpour (2013) conduct research on the efficiency of internal controls in the Iranian banking industry in preventing fraud and errors, using Bank Mellat as an example. Using the Spearman's correlation test on questionnaires completed by bank managers, The findings reveal that Bank Mellat's internal control could prevent frauds within the bank, and that weaknesses in internal control components were linked to the presence of frauds and errors.

The particular objectives are to evaluate the efficacy of control environment, risk assessment, control activities, information and communication activities, and monitoring activities in the Catholic University of Eastern Africa (CUEA). A descriptive research methodology was used for the study, and a stratified sampling technique was used to choose a sample of 53 administrative staff members. Data acquired through questionnaires were analyzed using descriptive statistics, which include frequency, percentage, mean, and standard deviation. The study discovered that controlling the institution's environment was extremely effective, while the four aspects of its internal control system were somewhat effective. Tenbele, N. T. (2019)

Alabdullah, T. T., & Maryanti, E. (2021). The Turnbull guidance constituted a remarkable redefining of the meaning of internal control as a pillar of corporate governance in the United Kingdom, specifically connecting internal control with risk management. This research investigates this shift by framing the argument over Internal control and risk management in UK corporate governance, incorporating sociological viewpoints on risk and its conceptualization It emphasizes how changes in governance practices reporting requirements create opportunity for businesses aiming to promote their own interests to appropriate and manage risk. This is demonstrated through an analysis of recent developments in internal audit.

An examination of US demand for internal control reporting revealed that concerns regarding this remained unanswered (Hermanson, 2000). To date, no comparable research has been conducted in the United Kingdom, where the following investigation of the development of corporate governance policy exemplifies the difficulty of internal control definition.

Worldwide. Taboli, H. R., Samie'e Darooneh, M., & Ehsani, A. (2013) Administrative corruption is a complex, multidimensional phenomena caused by a range of factors, resulting in a variety of outcomes that manifest themselves in a

variety of roles and characteristics. Given the relevance of this topic in several countries, substantial research has been conducted in recent years to discover and ascertain the reasons of this quandary. Economic reasons, such as bribery, embezzlement, and financial corruption. Administrative corruption is a social problem that affects all governments

S. A. Al-jundi, A. Shuhaiber, and others (2019). Despite a wealth of important literature on political and corporate corruption, just a few studies on the drivers of administrative corruption have been published. The current work seeks to fill these gaps by developing and testing a model based on the partial least squares structural equation modeling technique using a sample of 677 responses from the general population in Basra, Iraq. Overall, institutional weakness moderates the impact of corrupt culture on corruption; institutional weakness moderates the impact of political instability on corruption; and institutional weakness moderates the impact of poor organizational culture on corruption.

The main factors that affect the level of corruption in each group of countries were researched by Umah, F., and Boroak, M. (2019), or rather, attempts were made to find similarities and differences between particular groups of countries in terms of what affects the level of corruption in these groups. A three-element basic model (risk, profit, and awareness) was developed, which are scientifically proven factors that either generate or reduce corruption and influence the amount of corruption in any country. Countries can be classified into five groups based on their shared traits and their level of corruption. The study's findings were then compared to the findings of previously published studies, with the similarities and discrepancies identified.

Davarani, D. H., Pourkiani, and others (2012) study the relationship between administrative corruption and service quality in Rafsanjan town execution systems. The research was done by using descriptive studies on a statistical sample of 132 people from Rafsanjan's executive systems. Two questionnaires on administrative corruption and staff service quality were used to collect data, and the acquired data was analyzed using SPSS software. The findings revealed a substantial relationship between administrative corruption and its related components (management stability, employment security, rule deficiency, administrative system responsiveness,

inducement and punishment system, and qualification system) and service quality amount.

The purpose of the exploratory case study conducted by Sprague, A. (2018) was to uncover and analyze the financial management solutions that firm financial managers require in order to properly protect investors. Twenty corporate auditors from Fortune 1000 companies living within 70 miles of Columbus, Ohio, participated in this study. Coding, assessing, categorizing, and merging common statements were used to analyse the interview data. Knowledge and risk types were among the topics covered in the study, as well as the impact of financial fraud and risk on investment, the impact of accounting, auditing, and financial reporting standards, and financial management training to lower audit expectations.

The purpose of this research is to investigate the theoretical origins of administrative corruption in Central and Eastern Europe. The thesis develops a theoretical framework defining the potential explanatory variables of corruption, as well as numerous hypotheses that might be investigated empirically in post-communist republics. It begins with a brief overview of several definitions of corruption. Following that, it explores numerous potential sources of administrative corruption identified in the literature and, as a result, develops hypotheses testable in post-socialist Central and Eastern Europe, including Estonia. Liv, Mari-Lais (2004).

3.7. ANALYSIS AND FINDINGS

The statistical approach is used for all statistical computations (SPSS 21). The information has been coded, collated, and presented descriptively. The statistical approach used to derive the current study's results includes:

- Alpha-Cronbach has been used for testing the reliability of the questionnaire.
- Descriptive statistical data analysis using the (Frequency, percentage, mean, stander deviation and relative importance).
- Analyzing inferential data:

Bivariate A-Pearson correlation:

B-Simple regression model -All statistical techniques were considered to be significant at (F test), P 0.000.

There are probability level criteria for establishing the significance of the test: P-values are classified as: very highly significant (P 0.000), extremely significant (P 0.001), or significant (P 0.05).

(P> 0.05) non-significant

Section three of the questionnaires' items has been scaled by five levels of Likert scales as the following patterns: scaled by five levels of Likert scales and scored respectively as follow:

Table 3. 1: The levels of Likert scales

Scales	Scores	Weight average (mean) for	Level
Strongly Disagree	1	1.0 - 1.79	Very low
Disagree	2	1.8 - 2.59	Low
I don't know	3	2.6 - 3.39	Moderate
Agree	4	3.4 - 4.19	High
Strongly agree	5	4.2 - 5.0	Very High

3.7.1. Reliability of Questionnaire

Table 3. 2: The value of the Alpha Cronbach's coefficient

Variables	N. of class	Alpha Cronbach's
Independent variable		
Internal control	10	0.847
Dependent variable		
Financial and administrative corruption	8	0.726
Total	18	0.821

Resolution tests:

The table (3.1) shows that alpha Cronbach's alpha was used to determine the reliability of the questionnaires filled out by participants. The Alpha Cronbach coefficient, on the other hand, was employed to ensure the stability of the scale utilized and to assess the correctness of the study sample's replies. According to the analysis findings in table (6), the value of the Alpha Cronbach coefficient at the whole level of the variable's study is (0.821), while the value for (Internal control) variable is 0.847, and the value for (Financial and administrative corruption) variable is 0.726.

As a result, if the reliability coefficient is (0.60) or more according to this equation, it is considered sufficient for research that depends on the questionnaire as a tool for it (Allen & Yen, 2002). Therefore, from the previous results, it is clear that

there is the required stability for the current study questionnaire and through the statements of its variables and dimensions, which is sufficient to adopt the statements of the current questionnaire as a tool for collecting field data.

In addition, the tables (2, and 3) show alpha Cronbach to get the result of the reliability of the questionnaire that filled by the participations based on each question.

Table 3. 3: The value of the Cronbach's Alpha coefficient for Item-Total Statistics

Item-Total Statistics				
Internal control	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
ICS 1	35.69	22.718	.572	.831
ICS 2	35.57	24.015	.584	.832
ICS 3	35.56	23.184	.555	.832
ICS 4	35.48	23.820	.373	.850
ICS 5	35.66	22.796	.523	.835
ICS 6	35.61	22.009	.618	.826
ICS 7	35.44	23.451	.638	.828
ICS 8	35.87	22.349	.508	.838
ICS 9	35.67	22.957	.630	.826
ICS 10	35.62	22.105	.566	.831

Table 3. 4: The value of the Cronbach's Alpha coefficient for Item-Total Statistics

Item-Total Statistics				
Financial and administrative corruption	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Corruption 1	28.07	11.829	.415	.701
Corruption 2	28.61	11.343	.353	.713
Corruption 3	28.48	9.987	.610	.655
Corruption 4	28.20	9.827	.602	.655
Corruption 5	28.15	11.628	.337	.715
Corruption 6	28.08	11.577	.414	.700
Corruption 7	28.28	11.871	.324	.717
Corruption 8	28.21	11.537	.307	.723

3.7.2. Demographic Variables

Gender:

Table 3. 5: Distribution of the sample according to gender

Gender	Frequency	%
Male	29	47.5
Female	32	52.5
Total	61	100.0

It is clear from table (4.1) that the majority of the respondents are female, reaching approximately more than 52.5% of the total number of respondents, while the percentage of male is 47.5%. This means that male are more appropriate to work in those places

Age:**Table 3. 6: Distribution of the sample according to Age**

Age (Years)	Frequency	%
< 30	8	13.1
30 – 40	11	18.0
41 – 50	20	32.8
51 – 60	20	32.8
Over 60	2	3.3
Total	61	100.0

Table (6) shows the age group of the sample of the study. The table shows that the age group (41 – 50 and 51 – 60 years) of the study sample came first with 32.8%; Second place was the age group (30 – 40years) by (18%). However, the last rank is related to (over 60) years with only (3.3%).

Level of education:**Table 3. 7: Distribution of the sample according to level of education**

Level of education	Frequency	%
Diploma in accounting sciences	19	31.1
Bachelor of accounting sciences	32	52.5
Master of accounting sciences	4	6.6
PHD in accounting sciences	3	4.9
Higher Diploma in accounting sciences	3	4.9
Legal accounting	0	0.0
Other	0	0.0
Total	61	100.0

As can be seen from table (7), it is clear that people who holding bachelors in this study came first with 52.5%; Second place is Diploma degree by (31.1%). While the level of education of participants who holding PhD and Higher Diploma came at the last rank with only 4.9%. This indicates that the sample members are among the holders of certificates that qualify them to correctly answer the paragraphs of the questionnaire

Company incorporation date or the unit (to start work):**Table 3. 8: Distribution of the sample according to company incorporation date or the unit**

Company incorporation	Frequency	%
0 – 5 years	5	8.2
6 – 10 years	2	3.3
11 – 15 years	9	14.8
> 15 years	45	73.8
Total	61	100.0

It is clear from Table (3) that the majority of Company incorporation respondents were more than 15 years reaching 73.8% of the total number of

respondents, and also 14.8% of the respondents were between 11 – 15 years and only 3.3% of the participants were between 6 – 10 years

Number of employees in the company

Table 3. 9: Distribution of the sample according to employees in the company

Employees in the company	Frequency	%
0 – 10	4	6.6
11 – 20	5	8.2
21 – 30	6	9.8
> 30	46	75.4
Total	61	100.0

It is clear from Table (3) that the majority of Employees in the company respondents were more than 30 employees reaching 75.4% of the total number of respondents, and also 9.8% of the participants was between 21 – 30 employees and only 6.6% of the participants was between 0 – 10 employees

The nature of the activity of the economic unit or company

Table 3. 10: Distribution of the sample according to activity of the economic unit

activity of the economic unit	Frequency	%
Commercial	6	9.8
Industrial	1	1.6
Agricultural	4	6.6
Telecom	5	8.2
Banking service	39	63.9
Governmental	6	9.8
Other	0	0.0
Total	61	100.0

Table (3.10) shows that the majority of the activity of the economic unit was Banking service which was (63.9%), the lowest percentage among the respondents in the questionnaire with a percentage of (1.6%) following by Industrial

Does the economic unit use computer in the performance of this work

Table 3. 11: Distribution of the sample according use computer

Use computer	Frequency	%
Yes	33	54.1
No	28	45.9
Total	61	100.0

Table (3.11) shows that the 54.1% of the respondents has the economic unit use computer in the performance of this work and 45.9% of the participants hasn't the economic unit use computer in the performance of this work

Does the economic unit use specialized software in the performance of its work:

Table 3. 12: Distribution of the sample according to use specialized software

Use specialized software	Frequency	%
Yes	32	52.5
No	29	47.5
Total	61	100.0

Table (3.12) shows that the 52.5% of the respondents has the economic unit use specialized software in the performance of its work and 47.5% of the participants hasn't the economic unit use specialized software in the performance of its work.

Number of training courses in the field of specialization

Table 3. 13: Distribution of the sample according to training courses

Training courses	Frequency	%
1 – 2	27	44.3
2 – 4	15	24.6
> 4	19	31.1
Total	61	100.0

Table (3.13) demonstrates the distribution of the sample according to training courses in the field of specialization. It can be said that the majority of respondents are (1-2) training courses with the rate of (44.3%). However, the minority of respondents are (2-4) training courses with (24.6%)

Number of years of services in the field of specialization

Table 3. 14: Distribution of the sample according to years of services in the field

Years of services in the field	Frequency	%
< 10	6	9.8
10 – 20	34	55.7
> 20	21	34.4
Total	61	100.0

Table (3.14) demonstrates the distribution of the sample according to years of services in the field. It can be said that the majority of respondents are (10-20) years of services in the field with the rate of (55.7%). However, the minority of respondents are (<10) years of services in the field with (9.8%)

3.7.3. Description of Variables

Internal control and Financial and administrative corruption

In this section, the response of the respondents' opinions about the Strategic management process variable will be presented and analyzed according to the results of the analysis with the appropriate programs, and related to the means, standard deviations, and Relative importance.

Internal control

Table 3. 15: Description of Internal control

Questions	Strongly Disagree	Disagree	Not Sure	Agree	strongly agree	Mean	S.D	RI	Results
	Fr.	Fr.	Fr.	Fr.	Fr.				
	%	%	%	%	%				
X ₁	0	4	12	32	13	3.89	0.82	77.70	Agree
	0.00	6.56	19.67	52.46	21.31				
X ₂	0	1	8	42	10	4.00	0.61	80.00	Agree
	0.00	1.64	13.11	68.85	16.39				
X ₃	0	2	11	32	16	4.02	0.76	80.33	Agree
	0.00	3.28	18.03	52.46	26.23				
X ₄	0	3	12	22	24	4.10	0.89	81.97	Agree
	0.00	4.92	19.67	36.07	39.34				
X ₅	0	5	10	31	15	3.92	0.86	78.36	Agree
	0.00	8.20	16.39	50.82	24.59				
X ₆	1	3	9	32	16	3.97	0.87	79.34	Agree
	1.64	4.92	14.75	52.46	26.23				
X ₇	0	1	6	38	16	4.13	0.64	82.62	Agree
	0.00	1.64	9.84	62.30	26.23				
X ₈	3	4	9	37	8	3.70	0.95	74.10	Agree
	4.92	6.56	14.75	60.66	13.11				
X ₉	0	2	13	35	11	3.90	0.72	78.03	Agree
	0.00	3.28	21.31	57.38	18.03				
X ₁₀	0	5	12	25	19	3.95	0.92	79.02	Agree
	0.00	8.20	19.67	40.98	31.15				
Sum	4	30	102	326	148	3.96	0.81	79.15	Agree
	0.66	4.92	16.72	53.44	24.26				

Note/ Weight average (mean) for 5point Likert scales: (1.0-1.79: V.Low), (1.8-2.59 : Low), (2.6-3.39: Moderate), (3.4-4.19: High), (4.2-5.0: v. High),
Fr: Frequency , S.D : stander deviation and RI : Relative importance

Table (3.15) shows that the overall weighted arithmetic means of the (Internal control) dimension was (4.41), with a standard deviation of (0.86) and a relative relevance of (88.13 percent) at a high level. The overall arithmetic mean was bigger than the hypothetical mean (3), indicating that the (Internal control) dimension authorized by the organizations studied is satisfactory in the eyes of the research sample.

Furthermore, the overall percentage of people who answered with (strongly agree) to (59.33 percent), who were (agree) by (29.33 percent), who were (Neutral) (5.67 percent), while the number of people who (did not agree) with the paragraphs has reached the percentage (5.67 percent).

However, it is clear from the table that question paragraph (Y1) has obtained the highest percentage, as the weighted arithmetic mean is (4.64), S.D (0.8471) and relative important (92.80). While the question (Y3) has achieved the lowest percentage, with mean (4.10), S.D (0.9482) and relative important (82.00).

Some questions got higher percentages than others, as the weighted arithmetic mean values ranged (4.10 - 4.64) which is a good and high percentage. This means that (Internal control) is important based on the respondents of the study sample.

Financial and administrative corruption

Table 3. 16: Description of Financial and administrative corruption

Questions	Strongly Disagree	Disagree	Not Sure	Agree	strongly agree	Mean	S.D	RI	Results
	Fr.	Fr.	Fr.	Fr.	Fr.				
	%	%	%	%	%				
X ₁	0	1	4	36	20	4.23	0.64	84.59	Strongly agree
	0.00	1.64	6.56	59.02	32.79				
X ₂	0	7	13	33	8	3.69	0.85	73.77	Agree
	0.00	11.48	21.31	54.10	13.11				
X ₃	0	7	8	35	11	3.82	0.87	76.39	Agree
	0.00	11.48	13.11	57.38	18.03				
X ₄	1	2	10	25	23	4.10	0.91	81.97	Agree
	1.64	3.28	16.39	40.98	37.70				
X ₅	1	1	6	33	20	4.15	0.79	82.95	Agree
	1.64	1.64	9.84	54.10	32.79				
X ₆	0	1	7	31	22	4.21	0.71	84.26	Strongly agree
	0.00	1.64	11.48	50.82	36.07				
X ₇	1	0	10	36	14	4.02	0.74	80.33	Agree
	1.64	0.00	16.39	59.02	22.95				
X ₈	2	0	8	32	19	4.08	0.86	81.64	Agree
	3.28	0.00	13.11	52.46	31.15				
Sum	5	19	66	261	137	4.04	0.80	80.74	Agree
	1.02	3.89	13.52	53.48	28.07				

Note/ Weight average (mean) for 5point Likert scales: (1.0-1.79 :V. Low), (1.8-2.59 : Low), (2.6-3.39: Moderate), (3.4-4.19: High), (4.2-5.0: v. High),
Fr: Frequency , S.D : stander deviation and RI : Relative important

It is clear from Table (3.16) that the total weighted arithmetic means of the (Financial and administrative corruption) dimension reached (4.41), with standard deviation of (0.86), the relative importance amounted to (88.13%) with high level. The total arithmetic means appeared greater than the hypothetical means (3), which

indicates that (Financial and administrative corruption) dimension approved by the organizations researched is good from the point of view of the research sample.

In addition, the total percentage of people who responded with (strongly agree) to (59.33%), who were (agree) by (29.33%), who were (Neutral) (5.67%), while the proportion of individuals who (did not agree) with the paragraphs have reached the percentage (5.67%).

However, it is clear from the table that question paragraph (Y1) has obtained the highest percentage, as the weighted arithmetic mean is (4.64), S.D (0.8471) and relative important (92.80). While the question (Y3) has achieved the lowest percentage, with mean (4.10), S.D (0.9482) and relative important (82.00).

Some of the questions got higher percentages than others, as the weighted arithmetic means values ranged (4.10- 4.64) which is a good and high percentage. This means that (Financial and administrative corruption) is important based on the respondents of the study sample

3.7.4. Analyze The Study Model and Test Its Hypotheses

This Section aims to test the main and subsidiary hypotheses of the study statistically and analyze its model to identify the Correlation and regression, between its variables, and verify the validity of the assumptions, as follows:

Testing the hypotheses of the correlation between the study variables

In this paragraph, the results of testing and analyzing the correlation between the study variables will be discussed and according to the main hypotheses and sub-hypotheses emanating from them, they will be tested successively according to what was stated in the study methodology according to the hypothetical study scheme. In order to identify the nature of the correlation relations between the main research variables and the interpretation of its results, this required inference with a correlation coefficient that fits the descriptive data, and this is what was embodied by the nature of the study data.

Analyzing the correlations between Internal control and Financial and administrative corruption

Table 3. 17: A correlation between independent variables and dependent variables

Independent variable	Internal control		
	Correlation	Sig.	Sample
Financial and administrative corruption	0.702	0.000	61
*The level of significance at level 0.05			
*There is a relationship between the statistical function between independents variables and dependent variable			

Ho: There isn't a positive and significant correlation between the Internal control and Financial and administrative corruption

H1: There is a positive and significant correlation between the Internal control and Financial and administrative corruption

It is noted from Table (3.17) that there is a significant positive statistical correlation between (Internal control and Financial and administrative corruption) which is (0.702) and that the significance value is 0.000 and is less than 0.05. This indicates acceptance of the second hypothesis, a positive correlation between the extent of (Internal control and Financial and administrative corruption).

Test hypotheses of the effect between the study variables:

Analyzing the Regression between Internal control and the Financial and administrative corruption

Table 3. 18: Regression analysis between an internal control and the Financial and administrative corruption

Model	Coefficients				Model Summary			ANOVA Table	
	Unstandardized Coefficients		T Test	Sig.	R	R ²	Adj.(R ²)	F Test	Sig.
	B	Std.Error							
Constant	1.569	0.329	4.768	0.000	0.702	0.492	0.484	57.239	0.000
Internal control	0.624	0.082	7.566	0.000					

The main hypothesis: This hypothesis states that “Internal control has a positive effect on Financial and administrative corruption,”

Ho Internal control has no positive impact on Financial and administrative corruption

H1 Internal control has a positive impact on Financial and administrative corruption

The data in table (3.18) shows that the regression model accurately predicts the dependent variable. The statistical significance of the regression model that was conducted is indicated below. The regression model statistically significantly predicts the outcome variable with a (p-value) of (0.000), which is less than 0.05. (it is a good fit for the data). This shows that the approach may be used to examine the data, implying that the alternative hypothesis is accepted. The R² value reflects how much the independent variable (financial and administrative corruption) can explain the overall variation in the dependent variable (financial and administrative corruption) (Internal control). Furthermore, the R Square for this investigation is (0.492). In this example, 49.2 percent of the variance can be explained, which is a significant amount.

In other words, this indicates that 49.2% of the variance of (Financial and administrative corruption) has been explored in (**Internal control**), this illustrates that only 49.2% of factors affect (Financial and administrative corruption) in (**Internal control**) and the other variables (50.8%) are due to random error. Therefore, all the data from table (17) indicated to the acceptance of the **hypothesis** which stated that “**Internal control** has a positive effect on Financial and administrative corruption”.

RESULTS AND SUGGESTIONS

According to the findings and reviews the problem is a severe to the society and should be considered as a result efficient internal control system could be able make changes in the reduction of administrative and financial corruption to and how to combat this worldwide phenomenal problem. In this research According to statistical evidence, there is a favorable relationship between the scope of internal control systems and the lowering of financial and administrative corruption. Financial corruption is described as the use of influence to get illicit material gains via the violation of laws and disdain for ethical standards. worldwide. Taboli, H. R., Samie'e Darooneh, M., & Ehsani, A. (2013) ,Administrative corruption is a complex, Davarani, D. H., Pourkiani, and others (2012) study the relationship between administrative corruption and service quality substantial relationship between administrative corruption and its related components (management stability, employment security, rule deficiency, administrative system responsiveness, inducement and punishment system, and qualification system) and service quality amount .

According to the given information I think that Develop strong internal control systems and work on checking and evaluating them on an ongoing basis and ensuring that they work as designed for them. Also Moving away from favoritism, nepotism, and factional loyalties, and adopting the principle of equal opportunities since efficiency, integrity, and sincerity.

And so, focusing on the ethical dimension as it is one of the pillars of the fight against corruption, by paying attention to the standards of behavior and behavior when appointing to public office.

Providing the control and internal audit departments with efficient and qualified elements to increase their effectiveness in discovering cases of financial and administrative corruption.

Holding training courses for employees in general and those working in the control and audit departments to introduce the latest developments and the means that help detect corruption.

Obligating employees to report cases of financial and administrative corruption, otherwise the employee will bear an administrative penalty. Referring

corruption cases on a regular basis to the competent authorities and not to be negligent in holding the negligent to account

Financial corruption is defined as the use of influence to acquire illegitimate material benefits by breaching laws and disregarding ethical values. An efficient internal control system reduces the likelihood of financial and administrative corruption, in this research questionnaires have been published to Iraq governmental office of financial control, accountant that works as internal control from private companies and governmental departments and those with high education certificates,

According to the result analysis there is a positive correlation between the extent of internal control systems and the reduction of financial and administrative corruption.

Although there are several methods and strategies for combating corruption, these methods and strategies may fail in the fight against administrative corruption unless they are founded on a strong and effective foundation such as a fair judiciary and careful application of procedures, in addition to true democratic system foundations.

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APPENDICES

QUESTIONNAIRE FORM



TOKAT GAZİOSMANPAŞA UNIVERSITY
INSTITUTE OF GRADUTE STUDIES

THE ROLE OF INTERNAL CONTROL SYSTEM IN REDUCING THE PHENOMENON OF FINANCIAL AND ADMINISTRATIVE CORRUPTION: NORTHERN IRAQ APPLICATION QUESTIONNAIRE FORM

Dear Participant,

This questionnaire was prepared to determine the opinions of accounting professionals on the subject within the scope of the thesis study titled **“Role Of Internal Control System In Reducing Financial And Administrative Corruption In Northren Iraq”**, which is carried out in Tokat Gaziosmanpaşa University, Graduate Education Institute, Department of Business Administration. The information to be obtained will be used purely for scientific purposes, and **there is no requirement to specify a name in the questionnaire**. It is of great importance for the scientific validity and reliability of the research that you answer the questions in the survey sincerely and without skipping any questions.

Thank you for taking the time to participate in our study.

Researcher

ZHIR RAFIQ HASSAN PSHDARI

Demographic and Company Information

1. Gender

☐ Male ☐ Female

2. Age

☐ Less than 30 ☐ 30-40 ☐ 41-50 ☐ 51-60 ☐ 61 and above

3. Level of education

☐ Diploma in Accounting Sciences ☐ Bachelor of Accounting Sciences
☐ Master of Accounting Sciences ☐ PhD in Accounting Sciences
☐ Higher Diploma in Accounts Auditor ☐ Legal Accountant
☐ Others mention it

4. Company incorporation date or the unit (to start work

☐ 0-5 Year ☐ 6-10 Year ☐ 11-15 Year ☐ 16 and above

5. The number of employees in the company

☐ 0-10 ☐ 11-20 ☐ 21-30 ☐ 31 and above

6. The nature of the activity of the economic unit or company:

☐ Commercial ☐ Industrial ☐ Agricultural
☐ Telecom ☐ Banking services ☐ Other

7. Does the economic unit use computer in the performance of its work:

☐ Yes ☐ No

6. Does the economic unit use specialized software in the performance of its work

☐ Yes ☐ No

7. Number of training courses in the field of specialization.....

8. Number of years of service in the field of specialization.....

	Internal control questionnaires'	strongly disagree	disagree	neutral	agree	strongly agree
1	Management is primarily responsible for the development and design of the internal control system.					
2	The core of the effectiveness of oversight lies in the direction of its management and its belief in the importance of the internal control system.					
3	Segregation of functions, information processing and performance evaluation are among the most important oversight activities that help ensure that the objectives of the enterprise are achieved.					
4	The effectiveness of the internal control system depends primarily on the efficiency and integrity of the staff involved in its application.					
5	The desired of the internal control system cannot be achieved without evaluation, continuous follow-up of the system and correction of its errors.					
6	The Internal Audit Department has primary and direct responsibility for the examination and rectification of the internal control system.					
7	To be effective, internal control system monitoring and evaluation reports should include observations of the nature, causes, implications and corrective action to be taken.					
8	There is insufficient seriousness on the part of departments to take corrective action in the inspection and correction reports of the internal control systems.					
9	Evaluations are made for potential fraud risks in order to achieve the objectives of the business.					
10	In order to ensure the effectiveness of the internal control system in the enterprise, an information and communication system has been established to encourage the participation of all stakeholders.					

	Financial and administrative corruption questionnaires'	strongly disagree	disagree	neutral	agree	strongly agree
1	The increase in financial and administrative corruption in recent years has been one of the most important factors leading to increased attention to the internal control system.					
2	Corruption is a phenomenon that erodes the religious and social values of the society and damages the trust in laws.					
3	There is no specific cause of corruption, but there is a combination of social, economic and administrative causes that give rise to and exacerbate this phenomenon.					
4	Corruption is a complex phenomenon that can only be prevented by a counter-system combining various elements (legislative, administrative, judicial, political).					
5	An effective internal control system helps reduce the chances of financial and administrative corruption.					
6	Combating corruption through effective regulatory regimes that prevent corruption before it occurs is less harmful to corporate entity than other mechanisms that deal with cases of corruption after they occur.					
7	A good internal control system provides reasonable rather than absolute assurance that cases of financial and administrative corruption will be prevented.					
8	Transparency, simplification and flexibility, which are the result of an effective internal control system, contribute effectively to reducing cases of financial and administrative corruption					