

Fraud detection and manipulation of financial statements by applying the principles of governance

الكشف عن الاحتيال والتلاعب بالبيانات المالية من خلال تطبيق مبادئ الحوكمة

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Abstract

The aim of the research is to identify the effect of applying governance principles in detecting fraud and manipulation in the preparation of financial statements in Iraqi commercial banks. The descriptive approach was used to analyze the data. A questionnaire was prepared to collect data by distributing (85) valid questionnaires electronically to the research sample for statistical analysis consisting of a random sample of workers in Iraqi commercial banks. After conducting the analysis using statistical analysis packages (SPSS-25), the practical results of the research showed a positive and statistically significant effect at the significance level (0.05) for all variables. The study concluded that Iraqi commercial banks are committed to applying the rules and principles of governance in accordance with the international organizations and the basic rules set by the Central Bank of Iraq to reduce manipulation and fraud of financial statements.

Keywords: governance, fraud, manipulation, financial statements, commercial banks.

المستخلص: تهدف هذه الدراسة إلى تحديد أثر تطبيق مبادئ الحوكمة في كشف الاحتيال والتلاعب في إعداد البيانات المالية في البنوك التجارية العراقية. وقد استخدم المنهج الوصفي لتحليل البيانات. وتم إعداد استبيان لجمع البيانات من خلال توزيع 85 استبياناً صالحاً إلكترونياً على عينة البحث، التي شملت عينة عشوائية من العاملين في البنوك التجارية العراقية، وذلك لإجراء التحليل الإحصائي. وبعد إجراء التحليل باستخدام برنامج SPSS-25، أظهرت النتائج العملية للدراسة أثراً إيجابياً وذا دلالة إحصائية عند مستوى دلالة 0.05 لجميع المتغيرات. وكانت نتيجة الدراسة إلى أن البنوك التجارية العراقية ملتزمة بتطبيق قواعد ومبادئ الحوكمة وفقاً للمنظمات الدولية والقواعد الأساسية التي وضعها مصرف العراق المركزي للحد من التلاعب والاحتيال في البيانات المالية. الكلمات المفتاحية: الحوكمة، الاحتيال، التلاعب، البيانات المالية، البنوك التجارية.

1. Introduction

The global financial and economic crises have affected the application of the concept of governance in many sectors, including the banking sector, to reduce the severity of the crises experienced by companies and because it is an effective way to ensure the accuracy and good performance of banks and lead to the achievement of their objectives in increasing profitability and increasing growth, The application of governance principles is considered one of the basic features of the growth and development of investment and how to preserve the rights of shareholders and stakeholders, which enhances the detection of fraud and manipulation of financial statements. The research consists of four parts: the first deals with the research methodology and previous studies, the second part deals with the theoretical framework, the third part deals with the practical aspect, and the fourth part deals with the research methodology and previous studies. Discuss the most important conclusions and recommendations.

2. Research methodology and previous studies

First - Research Methodology: The research methodology dealt with (research problem, importance of research, research objectives, research hypothesis) and as follows: -

2.1 Research Problem

The problem of research that has been raised regarding the economic crisis that the world has faced in recent years, which has led to increased interest in governance in reducing fraud and manipulation of financial statements, can be summarized as follows:

- a. Does applying corporate governance in Iraqi commercial banks contribute to reducing fraud and manipulation of financial statements?
- b. The extent of Iraqi commercial banks' commitment to applying governance principles?

2.2 Research importance

The importance of the research lies in the importance of applying governance principles and concepts to detect fraud and manipulation of financial data in commercial banks. The research is an extension of previous important studies conducted in the field of governance and detection of manipulation in financial statements, which enables it to provide scientific evidence on the possibility of applying governance to enhance fraud detection and assist several groups such as shareholders and stakeholders in making important decisions in detecting fraud and manipulation in financial statements.

2.3 The Objectives of the Study:

The research aims to clarify the following:

- 2.3.1 statement of the extent to which Iraqi commercial banks, the research sample, are committed to applying the principles of governance.
- 2.3.2 Identify the role of governance and its relationship with other stakeholders.
- 2.3.3 The role that governance principles play in detecting fraud and manipulation of financial statements.
- 2.3.4 Provide some suggestions and recommendations on the importance of applying governance in detecting fraud and manipulation financial statements in commercial banks, the research sample.

2.4 **Research Hypothesis:** The research focuses on the main hypothesis, which is that there is a significant relationship between applying governance principles and detecting financial fraud and manipulation. Four sub-hypotheses emerge from this hypothesis:

The first sub-hypothesis: There is a significant impact relationship between applying the principle of risk management and enhancing the detection of fraud and manipulation in financial reports.

The second sub-hypothesis: There is a significant impact relationship between applying the principle of auditing systems and enhancing the detection of fraud and manipulation in financial reports.

The third sub-hypothesis: There is a significant impact relationship between implementing (the principle of the rewards and compensation system) and enhancing the detection of fraud and

manipulation in financial reports.

The fourth sub-hypothesis: There is a relationship with a significant impact

between applying the principle of the shareholders' rights system and

enhancing the detection of fraud and manipulation in financial reports.

2.5 Previous studies

- 2.5.1 Study (Union of Arab Banks, 2007) entitled Corporate Governance a Survey of the Arab Banking Sector. The research addressed the issue of corporate governance as a survey of the Arab banking sector. The sample consisted of (67) Arab banks from Qatar, Oman, the United Arab Emirates, Yemen, Jordan, and Egypt in 2007. The study reached conclusions, the most important of which is (banks have one general framework for governance principles and rules, and banks have written policies similar to governance principles. Banks need some policies to protect the minority.)
- 2.5.2 Al-Agha's study (2011) entitled The Role of Corporate Governance in Reducing the Negative Impact of Creative Accounting on the Reliability of Financial Statements, an applied study in Palestinian banks. The research aims to determine the role of corporate governance principles in Palestinian banks in reducing the negative impact of creative accounting on the reliability of financial statements and increasing the confidence of various stakeholders. The study included (111) individuals (the internal auditor, the external auditor, and the inspectors of the Palestinian Monetary Authority in Palestinian banks listed on the Palestinian stock market) while conducting a comprehensive survey of the study population. The study was conducted in the Gaza Strip in 2011. The study reached a number of conclusions, the most important of which is that applying governance principles in companies plays an important role in reducing the negative impact of creative accounting. The elements of financial statements are the main parts that management resorts to to practice creative accounting methods.
- 2.5.3 Bu khamada study (2014): The title of the study is internal auditing and its role in activating the principles of banking governance: an applied study on the banking sector in Libya. The role of internal audit departments in activating governance principles in banks operating in Libya was analyzed and discussed. The concept of governance for banks was presented, explaining its importance, objectives, principles, the role of internal audit, developing the ethical charter and professional standards for internal audit in light of the tasks and responsibilities related to it. The data were collected by means of a questionnaire distributed to the research sample, which represents (75) internal auditors in banks operating in the city of Benghazi in Libya. The study reached a set of conclusions, the most important of which is (There is a great role for the ethical charter of internal audit on the governance of banks , the development of internal audit standards contributes significantly to improving governance in banks to achieve many goals .
- 2.5.4 A study (2014, Jalal and Mbohwa) entitled "Integrating corporate governance principles into the code of ethics to reduce fraud in a South African bank." The study aimed to find out how to create a strong ethical culture to establish good governance rules to reduce internal fraud methods. The sample of the study was applied in a bank in South Africa in 2014. The study reached a set of results, including (the survey conducted at the bank supports the opinion that programs

the ethics followed in the bank are incomplete and need support. The corporate governance followed in the bank depends on form and not substance.

3. Theoretical aspect: The concept of fraud and manipulation of financial statements .

3.1 Financial Statements: The International Accounting Standards Board

(IASB) has set the general framework for the preparation and presentation of financial statements, which are part of the financial reporting process, which includes (income statement, statement of financial position, cash flow statement, statement of change in ownership right, and notes or notes, which are as follows : (Claudia & Lucia, 2020: 2).

3.1.1 **Income statement:** The income statement shows both revenues and expenses for a certain period of time. The revenues achieved during a certain period are compared with the expenses that contributed to achieving those revenues, and the surplus when revenues are greater than expenses is called profits or net income, which represents the net profit achieved for the period. Which in turn leads to an increase in property rights. If expenses are greater than revenues, the increase represents the net loss for the period of time that leads to a decrease in (ownership equity). (Warren et al., 2013:15).

3.1.2 **Statement of financial position:** This list shows the financial position, that is, the financial position of the economic unit at a certain date, which is the date of its preparation. It is customary that the list consists of three main parts, which are the assets, that is, the resources of the economic unit, the liabilities or obligations arising therefrom, and equity. (Kieso et al., 2012: 214).

3.1.3 **Cash Flow Statement:** This list shows the cash inflows and outflows during the period approved in preparing the income statement. This list consists of three parts: cash flow from operating activities, cash flow from investment activities, and cash flow from financing activities. Cash flow information helps both investors and creditors to assess the potential of the economic unit and its ability to generate cash flow as well as assess its ability to meet its obligations and the process of distributing profits. (England, 2017:156).

3.1.4 **Statement of Changes in Equity:** This list reflects changes in the shareholders' rights for each shareholder in the total equity. Equity consists of contributed capital (common stock, preferred stock, capital paid in excess), retained earnings, and accumulated comprehensive income balances. (Kieso et al., 2015: 184).

3.1.5 **Notes:** Supplementary information is provided in the Notes. Accounting policies are disclosed as a first note or in a separate summary of significant accounting policies such as inventory valuation methods, depreciation methods. Notes include the existence of contingent liabilities and some subsequent events, including the settlement of the lawsuit or the court is ruling to confirm that contingent liability. The loan guarantor creates a type of potential liability. (Gibson, 2011:48).

3.2 **Elements of the financial statements:** The financial statements represent the financial effects of the transactions and events of the economic unit and include - (Elliott, 2018:171), (Robinson, 2020:920).

3.2.1 **Assets:** Assets are all that the economic unit owns, such as inventory and equipment, and represent economic resources expected to be obtained in the future and obtained because of previous events and their economic benefits are expected to flow in the future.

3.2.2 **Liabilities:** They represent the economic resources that are expected to be sacrificed in the future and can be settled through the transfer of assets or the

provision of service to the economic unit because of past events because of the commitment of the economic unit now.

- 3.2.3 **Ownership right:** It represents the remaining assets after deducting all liabilities from the assets that belong to them.
- 3.2.4 Revenues: - Represents inflows resulting from a decrease in its liabilities or an increase in its assets or both.
- 3.2.5 **Expenses:** Expenses arise during the production or sale of the commodity or the provision of a service or any activities aimed at achieving revenue for the economic unit, as they refer to outflows resulting from an increase in its obligations or a decrease in its assets or both.
- 3.2.6 **Gains:** Represents the increase in the right of ownership resulting from incidental or secondary operations or any events of the economic unit, with the exception of the increase in the contribution of the owners.
- 3.2.7 **Losses:** - Represents the decrease in the achievement of ownership and is the result of accidental or secondary operations or any other events or circumstances in relation to the economic unit, with the exception of a decrease resulting from the distributions of owners.
- 3.2.8 **Owners' Investments:** Investments are the increase in equity and appear in the statement of financial position in the owners' capital, and include assets that the owners place as investments.
- 3.2.9 **Owners' distributions:** The amount of decrease in net assets that leads to a reduction in the owners' rights in the economic unit, and results from the transfer of assets, a product or service, or the commitment of liabilities to owners .
- 3.2.10 **Comprehensive income:** It is a change in the right of ownership during a certain period because of events or circumstances and from sources that are not related to the owners.

3.3 Methods of manipulation and fraud in financial statements and reports:

According to the Tread Way Commission, fraud is defined as intentionally negligent behavior or commission of errors, resulting in misleading financial statements. Fraud depends on factors and forms, including misrepresentation in the records of the economic unit or falsification and fabrication of operations such as proving fictitious operations or wrong application of the generally accepted accounting principles (AICPA 1987: 8). Manipulation is defined as a deliberate act by one or more individuals within the management or employees, or by a third party, leading to distortion of financial data. (International Federation of Accountants, 2007: 148). The methods of fraud and manipulation of the financial statements followed by companies have varied, the most important of which are (Gharib et al., 2020) .

- 3.3.1 Manipulating the total profit figures by showing the number of revenues and expenses less than the reality or more than the real.
- 3.3.2 Showing the number of profits more than the reality by inaccuracy in recording future debts.
- 3.3.3 Carry forward expenses to a subsequent accounting period to show greater profits in the current period.
- 3.3.4 Carrying forward the future costs to the current future period as they are special expenses to raise the total costs, which affects the profit figures.
- 3.3.5 Posting current profits to the future period.

3.4 Forms of fraud and manipulation of financial statements: There are ways to

manipulate and fraud the financial statements, including:

3.4.1 Manipulation and fraud in the statement of financial position (Hassan, 2022:10):

Transferring profit amounts between different accounting periods takes various forms, including:

1. Increase reserves.
2. Reduce liabilities.
3. Increasing the value of assets of all kinds.
4. Increase the value of expenditures for restructuring.
5. The use of reserves, which is a tool to manipulate the number of profits, whether by increase or decrease.
6. Configuring secret reserves to strengthen the financial position or to cover losses in the future.
7. Influencing the result of the company's activity by increasing or decreasing through manipulating the accounting direction of operations.

3.4.2 Manipulation and fraud in the income statement : One of the methods of manipulation and fraud that the bank's management performs in the income statement , where some of its elements can be shown in the wrong place , the extraordinary items of income can be treated as ordinary , and the operating expenses are treated as capital expenses, or increase the total profit by transferring part or all of the cost of goods sold to the item of administrative and sales expenses, which leads to the emergence of operating income that is greater than real , (Aslan ,2015:) One of the most important methods of manipulating the income statement is:

1. Recording revenue before revenue is realized, that is, revenue is recognized accounting and bookkeeping before the actual operation is completed.
2. Recording false revenues.
3. C. The process of posting ongoing expenses for subsequent periods.
4. h. Ongoing revenue carry-over for subsequent periods.
5. g. Qualified disclosure of changes in liability accounts.
6. D. Charging the current period with expenses related to the future period.

3.4.3 Manipulation and fraud in the statement of changes in equity: The items in the list of changes in equity are manipulated by fictitious procedures in the capital paid up or down , as well as the capital earned (retained earnings) or the calculated capital, which is used for the purpose of recalculating previous years and balances of foreign currencies (Hassan , 2022:11)

3.4.4 Manipulation and fraud in the statement of cash flows: There are many methods in the cash flow items, the most important of which are (Aslan,2015:)

1. Recording operating expenses as investment expenses or vice versa and this type of manipulation does not affect the final values of the statement of cash flows.

2. Manipulation of operating cash flows for the purpose of tax evasion, such as reducing profits from the sale of investments and some equity. This manipulation affects operating cash flows.

3. Income manipulation from ongoing operations.

3.5 The concept of governance principles in banks: The Organization for Economic Cooperation and Development (OECD) defines governance as a system through which businesses are directed and controlled. One of the tasks of governance is to distribute responsibilities among the various employees in companies and banks, such as shareholders, the board of directors, and stakeholders (www.oecd.org29/4/2015). There is a definition of governance principles according to (Campanale, C., et al, 2021;1) as a set of legal and accounting measures aimed at accountability, achieving equality, improving performance to maximize the market value of the company's shares, achieving transparency, and disclosing high-quality accounting information that benefits everyone. The concept of governance has gained the attention of business organizations all over the world, especially after the events that the global economy went through during the nineties of the last century with the outbreak of the Asian financial crisis in 1997. Some international companies were exposed to financial scandals, including Enron and WorldCom. In 2001, 2169 companies declared bankruptcy and were unable to pay their obligations. The year 2002 witnessed the collapse of giant companies for various reasons, including fraud, manipulation, deception, accounting errors, low professional ethics (ethics of corporate management, banks and audit offices) and collusion with these companies, including Anderson International Auditing Company. As a result, the community lost confidence in the administrative, accounting, and auditing systems, which negatively impacted investment decisions in the American and global stock exchanges (Taleb & Al-Mushhedani, 2011:9).

3.6 **The importance of the principles of governance in banks:** The importance of applying the principles of governance is summarized in the following matters (Aslan, 2015:85).

1. The commitment of companies and banks to apply the principles of governance is one of the important things and standards for investors in light of the conditions experienced by global markets and the importance of competition among them.
2. Applying the principles of governance leads to improving the management of banks, avoiding corruption, bankruptcy, mismanagement and performance, and ensures that rational decisions are taken on a sound basis.
3. The application of the principles of governance gives everyone their right by giving rewards and incentives and thus sincerity to work.
4. International studies confirm that there is a close correlation at the level of emerging markets between the performance of banks and the extent of compliance with governance standards and principles.

3.7 **Governance characteristics:** The term governance refers to a set of the following characteristics (Al-Azizi, 2013:163).

3.7.1 **Discipline:** It means following the correct and appropriate ethical behavior, and it means discipline in everything, such as discipline in the performance of work.

3.7.2 Transparency: means presenting the true picture of everything that happens and must be based on credibility, clarity, disclosure and participation.

3.7.3 Independence: It means that there are no unnecessary pressures and influences at work. Independence is achieved through:

1. The existence of a board of directors independent of senior management.
2. The existence of a supervisory board independent of the executive board of directors.
3. The existence of an Audit Committee Board chaired by an independent member of the Board of Directors.

3.7.4 Accountability: Any possibility of presenting and appreciating the work of the Board of Directors and the Executive Management.

3.7.5 Responsibility: means respecting the rights of different stakeholder groups.

3.7.6 Social Responsibility: Means social responsibility towards stakeholders.

3.7.7 Clarity: means that financial reports are clear, transparent and fair when prepared (<http://walidsamir7.blogspot.com>, 29/4/2015).

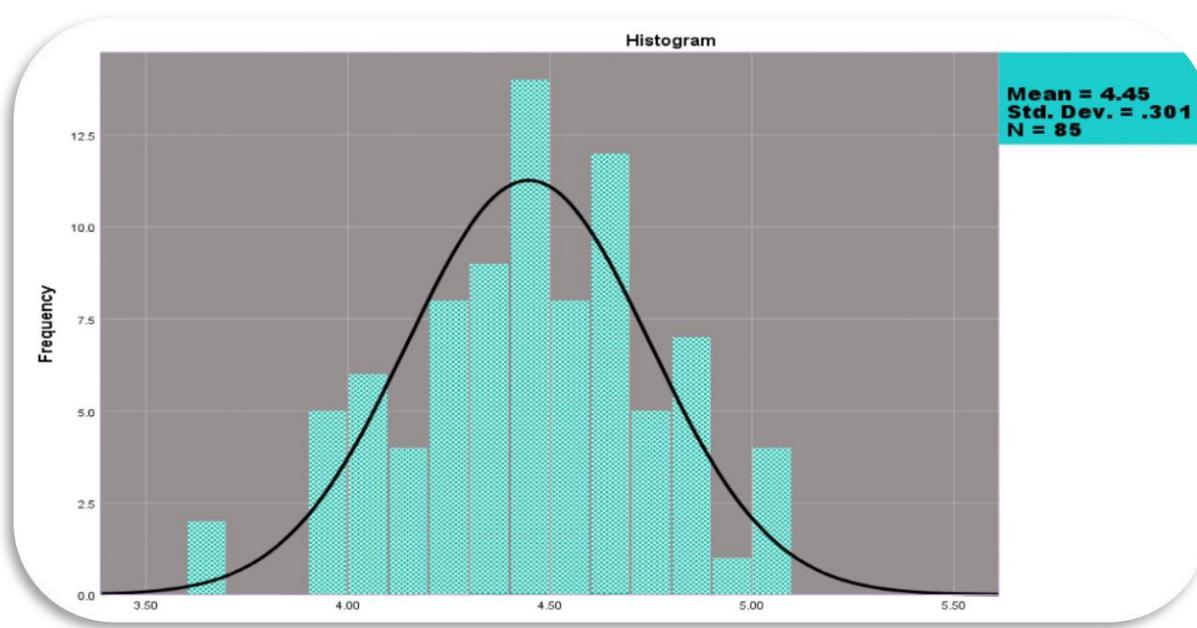
4. The applied aspect: Research Hypothesis Tests.

Statistical analysis: In the applied aspect of the research, a questionnaire designed for testing the research hypotheses was relied upon. The questionnaire was distributed electronically and randomly to workers in Iraqi commercial banks for the year 2022, a copy of which is attached at the end of the research. After entering the questionnaire data for the SPSS program for analysis, the number of answers was (85) valid answers for statistical analysis, (50) females and (35) males. All respondents were previously members of the Banks Risk Management Committee or are still in it (this committee is present in all banks under study). It turned out that (64.7%) of the respondents prefer moral reward compared to (35.3%) prefer material reward. The results of the analysis of the scientific questionnaire questions through the SPSS program were as follows:

4.1 Validity and stability of the questionnaire: To show the validity and stability of the questionnaire, the Cronbach's alpha rate was 0.913, which is very high.

4.2 Normal distribution: Normal distribution: In order to determine the appropriate statistical measure for analyzing data, we must know whether these data are subject to a normal distribution or not. The value of the Shapiro test was 0.984 and the sig = 0.378, which is greater than 0.05%, which means that the data is subject to normal distribution, as shown in Figure (1) below.

Figure No. (1) Shows the normal distribution of data



4.3 Descriptive statistics: Descriptive statistics for the five parts of the questionnaire were presented as in Table No. (1) Below.

Table No. (1) Shows the descriptive statistics of the questionnaire parts

parts	Part 1	Part 2	Part 3	Part 4	part 5
Mean	4.4392	4.3882	4.4588	4.4682	4.4824
Std. Deviation	.45269	.41861	.38396	.36846	.35358

Table data compiled by the two researchers based on the analysis results from the SPSS program

By observing the above table, we find that the averages are very close to the average for the fifth part (4.4824) and the lowest average for the second part (4.3882) and that the amount of dispersion for all parts is very small, which indicates that the values are centered around the arithmetic mean .

4.4 The main hypothesis: To answer the main hypothesis of the study, which states that there is a statistically significant moral impact to the application of governance principles in detecting fraud and manipulation of financial statements. To show this, a simple linear regression coefficient was used, and the results were as shown in Table (2).

Table No. (2) Results of Simple Linear Regression

Independent variable	Dependent variable	R	R ²	F Value	Sig(F)	Beta	T Value	Sig(T)	VIP factor
Governance	Fraud and manipulation of financial statements	0.501	0.251	27.833	0.000	0.547	5.276	0.000	1

Table data compiled by the two researchers based on the analysis results from the SPSS program

In order to know the relationship between fraud detection and manipulation of financial statements (dependent variable) and governance (independent variable), a simple linear regression model was used, Table No. (2). The results show that there is a direct, moderate correlation with a significant value (0.501) between the dependent variable and the independent variable , and that the independent variable explain (25.1%) of the variance occurring in fraud detection, given the coefficient of determination (R^2) . The Beta value that explains the relationship between governance and detecting fraud and manipulation in financial statements (0.547) is statistically significant, as this can be deduced from the value of (T) and the significance associated with it. The better the governance by one degree, the better the level of detection of fraud and manipulation of financial statements by (0.547) units. The table showed that the regression model has significant significance, with a value of ($F = 27.833$) and ($Sig(f) = 0.000$), which is less than the level of significance (0.01). To verify the existence of the mentioned relationship, a multilinearity test was conducted, and the results showed that the VIF factor for the model was (1), which is less than (3), which indicates that there is no multicollinearity problem, and we can write the regression equation as follows:

$$Y = b_0 + b_1 x + e$$

$$Y = 2.057 + 0.547 X + e$$

Y = Fraud detection and manipulation of financial statements

X = Governance

4.5 Sub-hypotheses: To answer the sub-hypotheses of the study, which state that thereis a statistically significant effect for each of the four parts of the questionnaire on the fifth part (detecting fraud and manipulation of financial statements), multiple linear regression was applied and the results were as shown in Table (3).

Table (3) multiple regression results

Independent variable	Dependent variable	R	R ²	F Value	Sig(F)	Beta	VIP factor
The first part	Fraud and manipulation of financial statements	0.655	0.429	15.007	0.000	0.149	1.868
The second part						-	2.678
The third part						0.109	2.267
The fourth part						0.553	1.589

Table data compiled by the two researchers based on the analysis results from the SPSS program

In order to know the relationship between the detection of fraud and the manipulation of financial statements (dependent variable) and the four parts (independent variables), the multiple linear regression model was used Table (3). The results show that there is a direct, moderate correlation with a significant value (0.655) between the dependent variable and the independent variables, and that the independent variables explain (42.9%) of the variance occurring in fraud detection, given the coefficient of determination (R^2). The value of Beta, which shows the relationship between the first part and the detection of fraud and manipulation of financial statements with a value of

(0.149), was statistically significant, as this can be deduced from the value of (T) and the associated significance. The better the first part is, the better the level of detecting fraud and manipulation in the financial statements by (0.149) units. Also, if the second part improves by one degree, the level of fraud and manipulation in the financial statements decreases by (-0.154) units. If the third part improves by one degree, it improves. The level of detecting fraud and manipulation in the financial statements increased by (0.109) units. If the fourth part improved by one degree, the level of detecting fraud and manipulation in the financial statements improved by (0.553) units. The table showed that the regression model is significant through the value (F=15.007) and its significance (0.000) which is less than (0.01). To verify the existence of the above-mentioned relationship, a multicollinearity test was conducted, and the results showed that the VIF coefficient of the model is less than (3), which indicates the absence of the multicollinearity problem. We can also write the regression equation as follows:

$$Y = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + e$$

Y = Fraud detection and manipulation of financial statements

X₁ = part 1

X₂ = Part II

X₃ = Part III

X₄ = Part IV

$$Y = 1.542 + 0.149X_1 - 0.154X_2 + 0.109X_3 + 0.553X_4 + e$$

Figure number (2)



The above figure represents the remainder and is subject to normal distribution, which is one of the conditions for linear regression.

5. Conclusions and recommendations

5.1 Theoretical and practical conclusions.

- 5.1.1 The application of the principle of risk management in Iraqi commercial banks helps to enhance the detection of fraud and manipulation of financial reports.
- 5.1.2 The application of the principle of auditing systems in banks helps in enhancing and detecting fraud and manipulation of financial reports.
- 5.1.3 The existence of a transparent banking system and the existence of experienced departments working to prevent the risk of fraud and manipulation of records and financial statements.
- 5.1.4 Iraqi commercial banks are committed to applying the rules and principles of governance in accordance with the international organizations and the basic rules set by the Central Bank of Iraq to reduce manipulation and fraud in the financial statements.
- 5.1.5 Applying governance principles helps the administrative authority of commercial banks to reduce manipulation and fraud.
- 5.1.6 In all banks, there is a (risk management) committee.
- 5.1.7 The application of the principle of the system of remuneration and compensation in the banks of the research sample (where 60% of them prefer moral rewards), helps to enhance and facilitate the detection of fraud.

5.2 Recommendations

- 5.2.1 We recommend supporting the activation of oversight roles to mitigate the risks facing Iraqi commercial banks.
- 5.2.2 Activating the role of independent supervisory departments to avoid errors, manipulation and fraud in financial reports.
- 5.2.3 Working to activate risk management in Iraqi commercial banks, which helps to enhance the detection of fraud and manipulation of financial reports.
- 5.2.4 Adhere to the principles of governance in accordance with the global standards set by international organizations to reduce the risks to which Iraqi commercial banks are exposed.
- 5.2.5 Adhere to the application of audit principles to reduce manipulation and fraud in the financial statements.
- 5.2.6 The Board of Directors of commercial banks activate the system of granting bonuses to support their employees and to reduce manipulation and fraud in the financial statements.
- 5.2.7 Conducting courses and workshops in the field of auditing and providing qualified staff to reduce the risk of fraud and manipulation of financial statements.

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In the name of God, the most Merciful, the most Compassionate

Dear Respondent: The questionnaire in your hands is used for scientific research purposes only for the tagged research ((Fraud detection and manipulation of financial statements by applying the principles of governance - an applied study in Iraqi commercial banks)); please help us in answering the questions below.

.... Thank you for your cooperation with the utmost gratitude and appreciation....

Researchers

Nahla Obass Talal

Wissam Kreidi Hamdan

Demographic questions

- 1) Gender: Male Female
- 2) Academic Achievement: Preparatory..., Diploma..., Bachelor..., Higher Diploma..., Master... , PhD..., Other...
- 3) Years of service in Iraqi commercial banks: from 1 to 5 , from 6 to 10 , from 11 to 15..... , from 16 to 20.... , from 21 to 25 ... , from 26 and more...
- 4) Your job title :
- 5) Is there a risk management committee in the bank where you work? Yes..., No...
- 6) Are you a member of the Bank's Risk Management Committee :
No.... I used to be... Yes...
- 7) Have you participated in training programs that support your job title: Yes ..., No...
- 8) Have you participated in training programs on risk management: Yes ..., No...
- 9) Training programs help to develop the experiences of workers :
No... , Somewhat ..., Yes...
- 10) During your service: Did you get a reward? Yes..... No..... .
- 11) Your preferred reward is a moral reward... A material reward....

Scientific questions related to the research topic:

Governance	The first part: Applying the principle of risk management in enhancing the detection of fraud and manipulation of financial reports.						
	No.	Paragraphs	Strongly Agree	I Agree	Neutral	Disagree	Strongly Disagree
1		Providing effective and advanced systems and procedures for risk					

	management in limiting the practice of fraud and manipulation of the bank's financial reports.					
2	The current and future comprehensive preventive plan provides for risk management to increase the chances of detecting fraud and manipulating the bank's financial reports.					
3	The Risk Management Committee has sufficient independence and powers to contribute to the detection of fraud and manipulation of the bank's financial reports.					
4	Practical and scientific qualifications in the field of risk management contribute to reducing fraud and manipulation of the bank's financial reports.					
5	Direct communication between the Risk Department and the Board of Directors contributes to increasing the chances of detecting fraud and manipulating the bank's financial reports.					
6	The strategic risk management plans of the bank contribute to increasing the chances of detecting fraud and manipulating the bank's financial reports.					
The second part: Applying the principle of audit systems in enhancing the detection of fraud and manipulation of financial reports.						
No.	Paragraphs	Strongly Agree	I Agree	Neutral	Disagree	Strongly Disagree
7	The application of laws, systems and auditing standards increases the chances of detecting fraud and manipulation of the bank's financial reports.					
8	The efficiency of internal auditors in estimating the size of financial risks and the procedures followed contributes to the detection of fraud and manipulation of the bank's financial reports.					
9	The existence of appropriate risk control procedures by internal control contributes to the detection of fraud and manipulation of the bank's financial reports.					
10	Internal auditors have the scientific and practical					

	qualifications necessary to detect fraud and manipulation of the bank's financial reports.					
11	The Audit Committee has the authority to access data and information and to communicate directly with employees, which contributes to the detection of fraud and manipulation of the bank's financial reports.					
12	Compliance with the laws and instructions of local auditing standards contributes to the detection of fraud and manipulation of the bank's financial reports.					
13	The appointment of the external auditor by the General Assembly increases the confidence of shareholders and contributes to the detection of fraud and manipulation of the bank's financial reports.					
14	The Audit Department is committed to complying with laws and policies, which helps in detecting fraud and manipulation of the bank's financial reports.					
The third part: Applying the principle of the reward and compensation system in enhancing the detection of fraud and manipulation of financial reports.						
No.	Paragraphs	Strongly Agree	I Agree	Neutral	Disagree	Strongly Disagree
15	The Board of Directors is concerned with developing a system of grants, bonuses and compensation that contributes to avoiding the risk of fraud and manipulation of the bank's financial reports.					
16	The bank is keen to review the rewards and incentives system periodically to avoid fraud and manipulation of the bank's financial reports.					
17	The Bank provides an integrated system to measure internal performance accurately and transparently to detect fraud and manipulation of financial reports.					
18	Diversifying the forms of grants and material and moral incentives for employees reduces fraud and					

		manipulation of the bank's financial reports.					
	19	The system of granting bonuses and compensation is characterized by transparency and fairness, and working to implement it contributes to avoiding the risk of fraud and manipulation of the bank's financial reports.					
	20	The supervisory authorities agree to work on the system of allocating remuneration to the members of the Board of Directors, which helps to reduce fraud and manipulation of the bank's financial reports.					
The fourth part: Applying the principle of the shareholders' rights system in enhancing the detection of fraud and manipulation of financial reports.							
	No.	Paragraphs	Strongly Agree	I Agree	Neutral	Disagree	Strongly Disagree
	21	Maintaining shareholders' rights, such as the right to attend meetings and vote, contributes to reducing fraud and manipulation of the bank's financial reports.					
	2-2.	Participation of shareholders and providing them with meeting schedules enhances the reduction of fraud and manipulation of the bank's financial reports.					
	23	The Ordinary and Extraordinary General Assembly Meetings promote the reduction of fraud and manipulation of the Bank's financial reports.					
	24	Providing shareholders with the agenda of the General Assembly and the attached reports contributes to reducing fraud and manipulation of the bank's financial reports.					
	25	Granting shareholders the authority to account and control the bank's business helps to reduce fraud and manipulation of the bank's financial reports.					
Fraud and	The fifth part: Enhancing the detection of fraud and manipulation of financial reports.						
	No.	Paragraphs	Strongly Agree	I Agree	Neutral	Disagree	Strongly Disagree
	26	The management of the economic unit is responsible for detecting fraud and manipulation of the financial statements.					

27	The Economic Unit provides the necessary capabilities to detect cases of fraud and manipulation of financial statements.					
28	The Economic Unit works to provide equipment and human cadres to detect fraud and manipulation of financial statements.					
29	The Economic Unit works to develop human resources to detect fraud and manipulation of financial statements.					
30	The Economic Unit is committed to the process of implementing laws and instructions to reduce fraud and manipulation of financial statements.					
31	The Economic Unit is committed to the process of monitoring the implementation of instructions and guidelines to reduce fraud and manipulation of financial statements.					