

# The role of culture in developing controlling and auditing procedures in combating economic crimes: Literature Review

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**Abstract:** - *The accounting culture is the lifeblood of any economic institution or company through its registration and tabulation of the financial operations of various institutions and companies in a way that ensures these companies achieve their goals and whatever those goals are, since our present era is the time of technological and informational development. Follow-up procedures should be developed for the delivery and transmission of information in general and economic and financial information in particular.*

*Companies have become directing their interests towards developing and updating accounting procedures and in various sectors and in a manner consistent with the evolving accounting culture, so this accounting development has become a preoccupation for all companies and financial institutions, for the purpose of achieving the stated goals.*

*With the developments that the world witnessed in general and economic development in particular, the phenomenon of economic and financial crimes has grown, which is one of the most dangerous and most widespread crimes at the national and global levels, as it is considered a deadly epidemic that violates the national and global economy.*

*This development in economic and financial crimes and the extent of their danger to the global economy drew the attention of regional and global countries to stand in the face of these crimes and combat them. A number of international agreements have been concluded for the purpose of combating these crimes, which are implemented by people or gangs of organized crime in different countries of the world. The several of these agreements include general coordination between the international and international intelligence services concerned with combating and combating economic and financial crimes.*

*Hence, censorship was considered one of the important ways and means to combat economic crimes and it stands against all abnormal forms. It is a true immune program in confronting the various forms of fraud that seriously harm the basic foundations of society.*

**Keywords:** - *Accounting culture, Control and auditing procedures, Economic crimes*

## Introduction:

Accounting is one of the branches of cognitive science that is concerned with providing accounting data and information in all economic companies or financial institutions, whatever their size, legal form, or the nature of the activities they perform to carry out their work, whether commercial, industrial or service, where the accounting culture is not limited to providing financial information to the authors of this information or workers in the company or institution only, but it extends to all those the company matters to, as well as those

Interested in the field of finance and business, who are called users of accounting information. Accounting disclosure is one of the basic and important principles that the accounting thought focuses on, because it is closely related to one of the main functions of accounting, which is the communication function. Through financial disclosure, financial reports which are aimed to satisfy the needs of its users of the accounting information that depicts and reflects the economic events that affected the company during its activity

period, it also displays information that announces the future management plans and expectations, and for financial reports to be achieved on a level of accounting culture that enables them to understand the significance of financial reports (Al-Shekhli, 2007).

In light of, the economic crime growing in the world in general and Iraq in particular, where money laundering and tax evasion and what is associated with what is known as creative accounting, accounting information and accounting culture have become an important role in tracking and combating economic crime (Abd Almawla, 2007)

The accounting culture is a set of beliefs and values prevailing in societies that use accounting information to make reasonable and correct decisions, as the accounting culture is a tool of mutual understanding between the authors of the financial reports and the users of these reports.

Accounting organization is also an attempt to establish a general framework for accounting practices that regulate accounting for accounting standards and is one of the basic elements of the accounting organization, as the efforts of accounting compatibility has entered at the international and national levels within the accounting organization process where the sources of accounting organization differ from country to another and the most important ones are (Alnaqeeb, 2004; Delilah, 2014):

1. Legislation and laws such as commercial law or company law, etc.
2. Accounting directions and recommendations issued by the control commission which takes care of the accounting function.
3. The basis and accounting standards issued by the competent commissions.
4. The rules issued by government agencies.

Also, there is no agreement between accountants regarding a standardized definition of objectivity, as it was defined as (being positive in measurement, impartiality, and not subjective to personal and partial interests). We can say (that it is an

expression of facts of the operations, without any distortion and far from personal bias) as the objective of the accountant is to persuade the users of the financial statements that they are out of personal considerations or bias, and according to the definition of the American Accountants Association of the objectivity (That the accounting data is objective and has the possibility to be achieved through evident evidence and on the other hand to be free from personal bias) (Souad ,2010) We note that a definition focused on the evidence and not on the measurement. The risk lies in evidence that was chosen. It may be verifiable, and the chosen evidence preference for it over other evidence that is a work in light of the lack of confirmation that the rule used for measurement, which has been carefully applied, and the application is not affected by bias or inclinations towards the person in the measurement process (Sabreena, 2012)

That the auditor must adhere to the objectivity in the practice of auditing financial operations and his work must be in accordance with the following (El-Siwi, 2007; Hill, 2009; Jenö, 2012):

1. The auditor should not rely on the opinions of others while performing auditing procedures.
2. The auditor should perform his work in all honesty and avoid suspicions, especially in relation to conflicting interests.
3. If the audit staff should rotate for the same audit mission or process, if possible. And the auditor should avoid any executive activities.
4. To not assign the employees who were transferred to one of the internal audit and audit activities or financial operations that they previously performed, and that after an appropriate period has passed commensurate with the audit work.
5. It is necessary to review the results of the work of the internal audit by issuing reports by the audit manager in order to be sure that the performance of the work is accurate.

Economic crime is illegal behaviors that fall directly and indirectly on an economic interest protected by law (crimes related to currency exchange and currency trading, export and import,

non-competition, commercial fraud, misappropriation of funds and taking control, customs smuggling and crimes of influence. The supply and pricing of a particular entity has been abandoned by a new set of crimes that cause confusion for the national or national economy as a crime of laundering money and what is expected to succeed in implementing economic policies promising structural adjustment for 'economy'. They are known as all violations that affect the public and cooperative ownership and means of producing and regulating agricultural and industrial products in a way that leads to the damage of the national economy or achieves an illegal individual benefit (Voir, 2012).

In the Iraqi legislation, the legislator did not enact a law on economic activity, but rather discusses this situation within different laws. Which affects the public and the means of production and private property and the organization of industrial and agricultural production and the rules of distribution of services and goods and the misuse of the lives of the people or their deviation from their course in a way that causes damage to the 'public economy' and achieves for 'individual personal benefit is illegal' Therefore, economic crimes are included in the Penal Code and the rest of the laws.

The major developments in the economic various sectors, particularly monetary and financial, have resulted in great benefits for the life of the world's economies, and these developments have increased the interaction of the countries and the almost eliminated barriers, borders and obstacles in the light of this development resulted in significant growth. At the same time, there have been negatives and problems affecting the international economy, and the emergence of economic and economic crimes has become largely a problem as the criminals are practicing their criminal activities across the border from this technique and development witnesses, so the importance of the role of accounting culture has emerged through (Al-Shatti, 2004; khdir Abass, Flayyih, Salih & Rahman, 2020):

1. Executing more banking and supervisory procedures and determining responsibilities and tasks related to all job levels in banks and financial institutions with the intention of conducting integrated control through which they do not allow the passage of any suspicious banking and financial operations.
2. Full and effective application of the accounting assumptions and principles resulting from the culture of accounting in the registration, summarization and tabulation of financial operations in monetary or financial institutions.
3. The need for Iraq to join international agreements to combat economic and financial crimes.
4. Accounting culture differs among managers and workers in different economic units and commercial institutions, and the impact of accounting culture is demonstrated by the taken decisions.
5. The effect of culture and accountability on the part of investors is through improving the values of economic units through investment decisions.

### **Literature Review**

(Al-Malki, 2008) study under the title of (Evaluating the impact of accounting culture on enhancing the value of the economic unit) The idea of the study focused on the necessity of an accounting culture for business societies in light of the premise identified by Hofstede, according to which he distinguished between social culture. Whereas, the scientist Gray set four values of accounting which are separate from the values of social culture, and the establishment of the four accounting principles was generally accepted, as he and a number of researchers after him used the values of accounting culture to distinguish between the international accounting systems and the various countries in the world and the difference between these values and the accounting systems and their different types is determined.

(Al-sin,2008) study tried to know the extent of the impact of values in improving the value of economic units by raising the level of administrative and investment decisions, as well as

focused on the values identified by the scientist Gray for accounting culture (reservation, consistency, professionalism, confidentiality).

(Al-Shurafaa, 2015) study (The impact of cultural values on accounting practices/ Case study on Arab Potash Company) The aim of the study is to know the effect of accounting values on the accounting practices in Arab Potash Company as a study case, The researcher relied on the undertaking defined by Hofstede, which is the hypothesis versus the collective and the difference of powers and avoiding uncertainty and orientation achievement.

As well as relying on the practices that the scientist Gray influenced by the cultural values determined by Hofstede if the researcher used the primary data to achieve the goal and a questionnaire was used to a sample consisting of 49 respondents, included between the financial managers and heads of departments and accountants and the most important results that the study reached:

1. There is a great professionalism in the Arab Potash Company, because there is an average of individuals and a high strength difference and avoiding to high uncertainty and orientation towards achievement male values are relatively high.
2. Stability is high in Potash Company due to the presence of medium individualism and strong difference.
3. There is a big reservation in the Potash Company due to the presence of an average individualism and a high difference and avoiding uncertainty and directing the achievement is relatively luxurious.

Researchers also saw that there are other reasons that have an impact on professionalism, consistency, discretion and transparency in the potash company, which is their commitment to international accounting standards, at which became clear when they reviewed the company's financial reports.

(Tabani, 2017) study (Mechanisms to combat economic crimes in Algerian legislation) The aim of the study is to show the seriousness of economic

crimes that are eating away at the nation's body, both on the economic level that results in economic problems such as: unemployment, inflation, tax smuggling, etc.

Likewise, on the level of the crimes it left behind, and that one of the reasons that prompted the researcher for this study is the large number of occurrences of financial crimes and the extent of their severity, which necessitates standing against and combating crimes, as well as the lack of studies that dealt with this topic (Flayyih, Salih, Rahma & Mohammed, 2020)

Where the researcher studied the mechanisms that were put in place by the Algerian legislator to combat economic crimes and the financial crimes that are diverse. The researcher focused on the section of financial crimes such as the crime of money laundering and the crime of embezzlement. In order to combat these crimes, he focused on banking mechanisms and procedures and their role in combating these crimes in addition to the administrative and accounting mechanisms represented by the Accounting Council and national anti-corruption commissions.

### **The Results**

From our analysis of the previous studies it showed that economic crimes are crimes aimed at countries towards the abyss and may damage states and societies, including political, social, economic and moral damages etc.

In addition to the significant effects on the investment climate and national income at various levels of prices within countries, the value of national currencies, on banks and all economic policies and their various types and their monetary and financial policies, as these crimes affect the general budgets of countries and their balance of payments with the external world and also affects all levels of individuals and society, down below are the damages caused by this:

1. Economic crimes that cause damage to national income.
2. Economic crimes cause damage to public revenues and reduce capital accumulation.

3. Economic crimes cause damage to public spending.
4. Economic crimes cause harm to the environment.
5. Economic crimes cause harm to the investment.
6. Economic crime causes damage to e-commerce and credit card.

Economic crimes cause damage to information technology and the emergence of corruption in banks.

As the international interest in economic crimes has become a great result of the economic and social effects of these crimes, a number of international organizations and international commissions have taken an interest in making great efforts in combating economic crimes to achieve justice as well as international efforts and their official commissions to confront these crimes.

And one of the important ways and methods in fighting economic crimes is to fill gaps of an organizational, administrative, and financial nature and to impose oversight at the level of economic organs and bodies to prevent these crimes from being committed and one of these important measures is oversight as it stands against all abnormal forms of business criminals, it is a real immune program in confronting the various forms of fraud that cause serious harm to the basic foundations of society and the control system is based on transparency, legitimacy, equality between giving powers to any commission control. This framework is compatible with international standards and not The Financial Working Group has touched upon it, as represented by the standards it adopted in the framework of mutual evaluation. According to this evaluation, the extent to which states comply with and apply recommendations are measured. There are three ways to combat crime, namely, the monitoring of banks' private commissions, the oversight that is carried out by the financial inquiry cell, and cooperative oversight.

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