

Extent to which the internal control systems of Iraqi private banks are consistent with the principles of the COSO Committee 2017 framework

By

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Abstract

In the last two decades, Iraq in general has faced many problems, the most prominent of which are financial problems, whose effects include many industrial, service and banking sectors. Banking services have had the greatest weight of these problems, with the many risks they carry that greatly threaten most of the banks operating in Iraq, and because government banks usually receive support and backing from the government, but private banks remain the weakest link in the face of these risks. Therefore, this research aims to find out the consistency of the concepts and procedures followed by Iraqi private banks with the principles of the COSO-2017 framework. To achieve this goal, the researchers designed a questionnaire to find out the opinions of the groups closest to these principles, and through which it was found that there are many shortcomings in the internal control systems used in Iraqi private banks. The researchers recommended the necessity of adopting quick procedures and decisions that help in improving and developing the internal control systems in private banks in order to face the many risks that could cause the collapse of these banks.

Introduction

At the end of the last century and the beginning of this century, the world witnessed the collapse of much more than a few major companies, which in turn caused a major crisis in several major global economies. Many professional bodies and committees, along with several academic studies and research, blamed the Internal Control Systems to be the reason behind this global crisis. Usually, control systems are seen as the first blocking line against the risks that organizations may face, given that this system is closer to the organization's activities than any other system. Therefore, it is the active element in ensuring the continuity of the organization's activities in accordance with the drawn plans, and it is regarded as an early warning bell in the event of any deviation from these plans. The inability of the Internal Control Systems to perform their tasks in the correct manner will undoubtedly lead to the occurrence of risks on the one hand and will also exacerbate these risks due to the increase of their negative effects because of the lack of early diagnosis on the other hand. As a result, many studies and solutions have emerged to confront the shortcomings in the control systems and develop them to ensure their ability to perform their function in a better way. The most prominent of these solutions is the COSO - Framework (The Committee of Sponsoring Organizations) issued in 1992.

COSO Framework

In 1985, the below five institutions reached an agreement and cooperation plan:

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