

# The Role of Governance Mechanisms in Combating Administrative and Financial Corruption

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## 1. The study Problem

The issue of corporate governance and its role in combating financial and administrative corruption has become one of the most prominent issues in institutions. and regional and international organizations, and interest in this topic has grown in many countries developed and emerging economies over the past years, especially after a series of Various financial crises that occurred in many companies in East Asian countries Latin America and Russia in the nineties of the twentieth century, which blew it Financial corruption and mismanagement and its lack of oversight, experience and skill, in addition to Lack of transparency, as well as the recent financial crisis that began with the collapse of Lehman Bank Brother" American during the year 2008 Due to the excessive real estate financing, where These crises and collapses resulted in many shareholders incurring material losses This prompted many investors to search for companies that implement the concept corporate governance. The importance of governance has increased as a result of the tendency of many countries in the world to transform to capitalist economic systems in which it relies heavily on corporations As a result of all this, interest in the concept of corporate governance has increased The basic pillars on which economic units must be built. In view of the growing interest in the concept of governance and its role in combating corruption Financial and administrative, many institutions have been keen to study this concept The most important of these institutions is the International Monetary Fund and the International Cooperation Organization Economic and development. For all these reasons, the interest of many economic researchers and writers came and analysts and others to address these matters.

## Objective of the study

Learn how governance can reduce financial and administrative corruption

## 2. Research importance

There is no doubt that this study contributes scientifically to solving the deficiencies in some of them Administrative and economic aspects to enhance the role of governance in combating financial corruption and administration. The study is also concerned with highlighting the importance of expanding the application of the concept of governance In the local and Arab

economic environment. Many studies have emphasized the importance of adhering to corporate governance principles Companies and their impact on increasing investors' confidence in the members of the companies' boards of directors. Hence the ability of countries to attract local or foreign investors, and the consequences of that That is the development of the economies of those countries. This was accompanied by the establishment of many countries in the world International organizations pay attention to the concept of corporate governance, through bodies Scientific and legislative bodies issue a set of regulations, laws and reports And rules that emphasize the importance of companies' commitment to applying those principles to combat Financial and administrative corruption.

### **3. Research Methodology**

The study relies on the general descriptive analysis and quantitative method Based on the reality of information, publications, studies, scientific studies and sources Electronic information (the Internet).

### **4. Theoretical side**

#### **How the government can reduce financial and administrative corruption**

That the financial and administrative corruption of The most serious problems that state institutions in general, and companies suffer from State-owned enterprises in particular, and financial and administrative corruption is represented by gains And the privileges that are obtained unlawfully, and which result in tolerance Companies have additional costs that are reflected in the prices of the goods they produce or the services they provide progress, which weakens its ability to compete and survive, and thus erodes capital. Instead of these companies being one of the engines of the economy and one of the factors growth, become a burden on the national economy borne by the entire society. And corporate governance leads An important role in addressing the problems that these companies suffer from The most prominent of which is the problem of financial and administrative corruption, and it can be said that there are a number of mechanisms Hess and Impavido classify it into internal and other governance mechanisms External<sup>[6]</sup>

### **5. First, it is the internals of corporate government:**

The internal corporate governance mechanisms focus on the activities and events of the company. And take the necessary solutions to achieve the objectives of the company, and governance mechanisms can be classified Internal companies to the following

#### **5.1 Board of directors**

Both Singh and Harianto mention that activists are in the field of corporate governance Companies, researchers and practitioners consider the board of directors the best tool for monitoring behavior Management, as it protects the capital invested in the company from misuse Before the administration, through his legal powers to appoint, dismiss and reward Senior management and a strong board of directors are actively involved in strategy development The company provides appropriate incentives to management, monitors its behavior and evaluates its performance <sup>[10]</sup>

Maximizing the value of the company In order for these councils to be effective, they must be in a position that qualifies them To work for the benefit of the company <sup>[7]</sup>, and at the same time take into account the social objectives of the company consideration, and shall have the necessary power to exercise its own judgments away about political actions and bureaucracy in its affairs, selection of top management, Central for frequency and performance index

bureaucracy in its affairs, selection of senior management, Central to frequency As well as supervising the company's ongoing performance And in this (PSCGT) on the need for each company to be managed by Company-owned companies that operate effectively, exercise and direct the company Singh and Haryanto state that corporate governance activists, researchers, and practitioners consider the board of directors to be the best tool for monitoring behavior management <sup>[8]</sup>, as it protects the capital invested in a company from misuse by management, through its legal action. The powers to appoint, dismiss and reward senior management and a strong board of directors are actively involved in the development of the strategy. The company provides appropriate incentives to management, monitors its behavior and evaluates its performance <sup>[12]</sup>.

In order for the board of directors of the state-owned company to be able to With his duties of directing and monitoring, he resorts to the formation of a group of committees from Among its non-executive members, most notably the following <sup>[9]</sup>:

## **5.2 The Audit Committee**

At the present time, the Audit Committee has received a great deal of attention By international and local specialized scientific bodies and researchers, especially after Failures and financial turmoil that occurred in international companies, and this is due Paying attention to the role that the audit committee can play as a governance tool Companies to increase confidence and transparency in the financial information they disclose International companies, and this interest is due to the role that the audit committee can play As a tool of corporate governance in increasing confidence and transparency in financial information disclosed by companies, through their role in preparing financial reports And its supervision of the internal audit function in companies, as well as its role in supporting the External audit bodies and increase their independence, as well as their role in ensuring Commitment to the principles of corporate governance, and the concept of this committee appeared after the collapses Finance of some large companies. In the United States of America: The Oxley Serbanse Act was passed In the year 2002 AD, which obligated all companies to form an audit committee because of its important role In preventing the occurrence of these financial collapses in the future, through its role in The process of preparing the financial statements, as well as increasing the independence of each of the internal auditors and external.

### **5-2-1 Functions and conditions (responsibilities) of the audit committee:**

One of the most important responsibilities of the audit body is to ensure that the rules are applied Judgment on the ground, this is done through judgment as if The existence of a system of internal control is one of the most important responsibilities of the Board of Directors The chairman of the committee in relation to this system is to check its efficiency and the effectiveness of its group and submitting recommendations to the Board of Directors, which would activate and develop the system ,To achieve the objectives of the company and protect the interests of the owners and the rest of the stakeholders With high efficiency and reasonable cost, PSCGT proposes the following functions to the Audit Committee <sup>[7]</sup> :

1. Review the financial statements before submitting them to the Board of Directors.
2. Recommend the appointment, reward and exemption of the external auditor.
3. Discuss and agree on the scope and nature of audit priorities.
4. Discussing with the external auditors any reservations or problems that arise during the course of the audit audit process.

5. Discussing with external and internal auditors to evaluate the effectiveness of the control system The company's internal and risk management.
6. Supervising the internal audit function and reviewing the reports it submits Findings and recommendations for management to take action necessary.
7. Carry out any related duties assigned to it by the Board of Directors Audit and oversight work .

#### **Remuneration Committee :**

Most studies on corporate governance and recommendations issued On behalf of the interested parties, the remuneration committees should be composed of board members Non-executive management. In the field of state-owned companies, it included Organization for Economic Co-operation and Development (OECD) guidelines The remuneration of the members of the Board of Directors and senior management shall be reasonable, in order to ensure the promotion of The company's long-term interests by attracting highly qualified professionals high. The tasks and cases of the Compensation Committee focus on determining salaries and bonuses In matters of senior management, Mintz has defined these procedures as follows <sup>[1]</sup> :

1. Determination of remuneration and other benefits, review periodically.
2. Take steps to modify senior management bonus programs that lead to payments Reasonable terms for the management member's performance.
3. Developing administrative benefits policies and reviewing them on an ongoing basis.

#### **4- Nominations Committee:**

The members of the Board of Directors and the subject are appointed from among the best Candidates whose skills and experience match those of The company, and to ensure the level of appointment of members of the Board of Directors and the rest of the staff has The PSCGT Committee has established a set of duties <sup>[11]</sup> :

1. The appointments in the company should be made with the Board of Directors and with the approval of the Minister The person concerned with developing the skills and experiences required for a member Board of Directors and required staff.
2. The Appointment Committee shall establish transparent mechanisms for appointment, to ensure that: Get the best qualified candidates.
3. That the committee, together with the rest of the members of the Board of Directors, evaluate the required skills company constantly.
4. The committee must announce the position to be filled and an invitation eligible to apply for appointment.

#### **5- internal audit :**

The internal audit function plays an important role in the governance process This process, by increasing the ability of citizens to hold the company accountable. Where he stands internal auditors through the activities they carry out by increasing credibility, fairness, Improving the behavior of employees working in state-owned companies and reducing risks Administrative and financial corruption, and in this context, Archambeault believes that both Internal and external audit is an important mechanism of control within the framework of the structure Governance, in particular with regard to ensuring the accuracy and integrity of financial reporting and preventing <sup>[3]</sup>And discovering cases of fraud and forgery It has been recognized

by the professional and regulatory bodies With the importance of the internal audit function in the governance process, the Cadbury Committee emphasized the <sup>[2]</sup> The importance of the responsibility of the internal auditor in preventing and detecting fraud and forgery In order for this function to achieve its objectives, it must be independent and well organized It is based on its own legislation. In this direction, some assert However, the autonomy of this function is strengthened When it reports directly to the audit committee and not to management, it is added In addition, the effectiveness of the internal audit committee can increase when it is able to Distribution of internal audit members to obtain important information on special issues the company, such as strengthening the internal control system and the quality of accounting policies used. <sup>[5]</sup>

### **5-3 External mechanisms of corporate governance:**

Corporate governance mechanisms are represented by the controls exercised by stakeholders Externals on the company, and the pressures exerted by international organizations interested in this The subject, as this source constitutes one of the major sources generating enormous pressure . In order to implement the rules of governance, examples of these mechanisms are as follow <sup>[12]</sup> :

- Competition in the products (services) market and the administrative labor market
- Mergers and Acquisitions
- External Auditing

### **5-4 Other external governance mechanisms**

At the conclusion of this brief study on the issue of governance mechanisms and their role in Fighting financial and administrative corruption We conclude a number of the most important results and someThe recommendations are summarized as follows<sup>[4]</sup>:

## **6. RESULTS**

- 1- You notice a great and clear interest in the concept of corporate governance in recent years companies, and has become one of the main pillars on which it must be built different economic units.
- 2- It was found that the application of corporate governance is the way out and an effective solution to guarantee the rights of individuals Stakeholders within companies, especially investors.
- 3- A statement of the impact and importance of the concept of corporate governance in favor of individuals. institutions and societies in many economic and legal aspects social.
- 4- It has been shown that good corporate governance helps to attract investments foreign or domestic and help to reduce capital flight and combat corruption.
- 5- The commitment to applying the intellectual aspects of corporate governance is well reflected To combat financial and administrative corruption.
- 6- The importance of governance is evident from its objectives, which are represented in achieving transparency and justice Granting the right to hold the management of the facility accountable, taking into account the interests of employers and workers Reducing the abuse of

power for purposes other than the public interest, which leads to development Investments, savings and maximizing profitability.

7- The existence of an effective system capable of providing trust and combating corruption in the establishments Finance will return them with more success. It will support the expansion of my business. On that This requires supporting what the departments related to governance are doing within the organization Finance, such as the Department of Compliance, Internal and Legal Audit, as well as the Control Department and supervision of both internal and external types.

### **Recommendations**

- 1- Work must be done to increase disclosure and transparency in companies.
- 2- Work should be done to develop awareness and understanding of the importance of those in charge of companies Governance for their companies through seminars, meetings and conferences.
- 3- It is necessary to issue a unified vision for the concept and work of corporate governance in the country Arabi.
- 4- We recommend the importance of good preparation of organizational structures in a manner that allows for the identification of Terms of reference and communication paths must be carefully evaluated From time to time in terms of the extent of his contribution to clarifying relations, and in terms of Increase responsiveness by subordinates.

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