

# The Effect of Implementing Internal Control Systems According to the COSO Committee in Reducing Money Laundering in Jordanian Commercial Banks

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## Abstract

*This study sought to determine the effects of an internal control system implementation for banks according to the COSO Committee and its role in reducing money laundering in Jordanian commercial banks, a questionnaire was designed distributed, and analyzed by 45 participants working as external auditors (chartered accountants) for Jordanian commercial banks, and the analytical and descriptive methods were applied, with one sample using the T-test. The study showed several results, including the impact of internal control systems with their eight components in reducing money laundering, as well as the existence of interest and awareness by the departments of Jordanian commercial banks of the importance and role of internal control systems according to the COSO Committee, and the importance of the availability of the elements of the internal control system from a controlled environment, the existence of an information and communication system, monitoring and follow-up to contribute to reducing money laundering. The study recommended adopting a self-assessment model for regulatory risks in banks because of its advantages in explaining the types of risks surrounding the banks related to the concepts, operations, and stages of money laundering.*

**Keywords:** *Internal Control Systems, Organizations Sponsorship Committee, Anti-Money Laundering.*

## Introduction

The foundation of the internal control system, including all of its elements, is the control structure found in businesses, which affects how strategies are developed to achieve the objectives it seeks, which requires sufficient care in effective control that takes into account the risk assessment process facing the organization in its pursuit of achieving those goals and provides an appropriate basis for responding to those risks (Badawi, 2011).

One of the most important risks to which financial institutions may be exposed is money-laundering offenses, where the perpetrators attempt to conceal the sources of such funds that are illegal. Then they are used for legitimate activities that conceal their original origin (Hussein, 2013). Especially since scientific and technological progress in the financial and banking services sector and the international information network (Internet) have contributed to the promotion and facilitation of these crimes, as the perpetrators of these crimes try to benefit from the data of contemporary technological progress in various ways, such as the use of electronic money, as well as They benefit from the principle of bank secrecy. (Al-Ameri and Al-Ghalbi, 2008).

Furthermore, some economic units experience several issues such job inflation, duplication of duties, overlapping powers, unclear plans and objectives, and inadequate accountability as a result of the serious shortcomings of internal control mechanisms and their fundamental administrative and accounting components. Apart from the official function of audit committees and boards of directors and the resulting deficiency in control processes (Ghosh, 2013). To do this, effective internal control systems that can ensure the dependability and correctness of financial reports, promote adherence to rules and regulations, and maximize the efficiency and efficacy of operational activities must be built (Alqudah et al., 2023).

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Therefore, the significance of internal control systems' efficacy as stated by the COSO, plays a vital role in organizations' work to reduce money laundering, as well as, setting strong foundations that help reach efficient and effective supervisory systems that perform their expected purpose (Al-Sabou et al., 2010).

So, this research works toward showing the impact of internal control mechanisms with their various components applied from the point of view of the COSO of the Trade Way Commission in commercial banks in reducing money laundering at the local and global levels from the perspective of chartered accountants.

### *Theoretical Framework*

A crucial tool for keeping an eye on and stopping manipulation of the financial system, especially money laundering, is an internal control system. To maintain market competitiveness and prevent mistakes, manipulation, and fraud that aid in money laundering, effective internal controls are essential. Thus, this part will attempt to address the variables of the study.

### *Internal Control*

The internal control system is described by the (AICPA) as an organizational plan and a collection of procedures that the unit uses to safeguard its assets, guarantee the accuracy and dependability of its accounting data, increase production efficiency, and promote adherence to management policies. The Institute of Internal Auditors (IIA) also defined it as the plans of the economic unit and all the methods and procedures taken by it to ensure the appropriateness and comprehensiveness of data, the protection of assets, and compliance with all policies and laws to achieve programs and activities economically.

The process designed and implemented by those in charge of control, management, and other employees that gives adequate confidence about the accomplishment of the organization's objectives, including the accuracy of financial reporting, the effectiveness and efficacy of activities, by the relevant regulations and laws, and their design and implementation to address the particular business risks that threaten the achievement of any of these objectives, is known as international standard on auditing, or ISA NO. 315, as published by the (IFAC) in 2007. This internal control standard's definition is taken from the COSO definition (Thneibat, 2012, p. 196).

The researchers conclude from the previous definitions that internal control is not an end, but rather a means to a purpose, as the control method is a continuous process if the work is ongoing, and it must provide a reasonable guarantee and not an absolute confirmation between the board of directors and management, and it is directed to achieve single or overlapping goals.

Meanwhile, the main objective of internal control is achieved by achieving several auxiliary operational objectives, namely (SOCPA): (Saudi Organization for Certified Public Accountants, 2008: p. 234). Which are: protection of the unit's assets from damage, embezzlement, manipulation, loss, and extravagance. Protect the records, books, and accounts of the unit from any intentional or unintentional errors. Ensure obtaining accurate accounting data that can be relied upon in various internal and external fields and can meet the needs of all parties, both external and internal, and ensure adherence to the laws, rules, and guidelines, and instructions set by the administration and government or control agencies to which the unit is subject. Achieving production efficiency.

On another side, money laundering is a term that describes an illegal act, that aims to legitimize funds obtained from an illegal source that involves concealing the origin of funds derived from illegal means and making them appear to be legally acquired (Al-Bayati, 2010). Therefore, the researchers believe that anti-money laundering operations need a strict and solid control system to reduce them and that there must be a supervisory system with high supervisory and intellectual efficiency, and this is what was represented by the decisions of the COSO.

### *Previous Studies*

The US Congress and the Securities and Exchange Commission (SEC) issued a decree adapted from AICPA publications in the late seventies because of the spread of fraud, accounting corruption, and fraud in major American companies, to prevent bribery of employees, focused on companies maintaining a good internal accounting control system, but this did not prevent abuses. Consequently, the Treadway Commission, also known as the National Committee for Dealing with Fraudulent Financial Reports, was established. The latter examined financial information reporting systems from 1985 to 1987 and, as a result of the Committee's first report, the (COSO), published a report in 1987 titled "Report of the National Committee for Illegal Financial Reporting was formed (Committee of Sponsoring Organization, COSO, 2013, page 1).

In 1992, COSO issued an integrated internal control framework to guide the evaluation and strengthening of regulatory systems, which served as a reference accepted by companies when designing policies, laws, and regulations used in the Control of business activities. U.S Standard 78 Statement on Auditing Standards (SAS No. 78), marked Internal Control Considerations in Auditing Financial Statements (AICPA, 1995), was adopted. As well as acceptance by government legislation, including the Sarbanes-Oxley SOX Act of 2002.

Jordanian commercial banks apply the decisions of the Basel 2 Committee for Internal Control, with differences in the application process between Banks, she also pointed out that giving the supervisory authorities and audit committees in banks a role to develop special (Barakat, 2009). According to Al-Sabou et al. (2010), Jordanian industrial companies have sound internal control structures, but they also have shortcomings when it comes to hiring enough people, describing their business, outlining their responsibilities, producing information for planning and control purposes, and providing information and performance reports. Additionally, Badawi (2011) detailed the study discovered that the follow-up variable had the least impact on attaining the goals, conversely, the next most significant and impactful components were the control surroundings, risk evaluation, control behaviors, and communication and information variables.

Meanwhile, Hussein (2013) discovered that the external auditor in the Hashemite Kingdom of Jordan is aware of the significance of the audit process regarding the phenomenon of money laundering, and the study sample approved the idea that the reasons behind the auditor's inability to identify money laundering operations that pose a threat to business establishments are related to the auditor, the departments of the companies under audit, and professional issuances. Additionally, Al-Khasawneh (2019) concluded that internal control procedures play a crucial role in preventing money laundering in Jordanian institutions.

Furthermore, Ghosh (2013) showed that companies with large size, high profitability, and operations Complex favors the adoption of an ERM structure to control their risks, both external and internal. The adoption of the Project Risk Management (ERM) framework positively impacts the creation of value for companies through the ability to face risks. In addition, a study by Scannell et al. (2013) found that the components of the Project Risk Management System (ERM) issued by COSO in 2004 provide a framework that enables companies to integrate the ERM system with the SCRM.

According to Salehi and Imeny's (2019) analysis of many aspects including the status of Iranian banks' attempts to prevent money laundering, these institutions had the proper anti-money laundering measures in place. These studies highlight the importance of internal control protocols and anti-money laundering (AML) systems in detecting and thwarting money laundering activities. Vijeyan and Rahmat (2022) assert that regulating bank operations via internal control mechanisms aids in the identification of questionable transactions or activities.

Additionally, Ahtik et al. (2019) suggest performing economic studies of the contribution that reporting companies provide to the prevention of money laundering-related crimes across national borders. Furthermore, Krsteski (2020) recommends researching the idea, definition, and features of the money laundering phenomenon, while, Chitimira and Munedzi (2023) call for additional studies on the

effectiveness of international guidelines for client due diligence and related anti-money laundering procedures.

Similarly, control measures are crucial in putting an end to money laundering operations, and internal control plays a part in preventing money laundering in banks, according to Malahim et al. (2023). Enhancing a bank's capacity to prevent money laundering depends on the caliber of information it receives and disseminates as well as the channels by which it does so. Likewise, Alqudah et al. (2023) revealed that the empowerment of the audit committee has a significant effect on enhancing the efficiency of audit processes in the studied industrial companies and that the findings of the new research complement prior studies by addressing the empowerment of audit committees and their significant effect on the efficiency of electronic internal audit and can be applied in future studies related to electronic internal audit. Future studies might also concentrate on detecting fresh patterns and techniques in money laundering as well as creating stronger defenses against this occurrence.

## Methodology

### *Sample Selection*

The sample of the research consists of chartered accountants of Jordanian commercial banks (Jordanian Certified Public Accountants). The research on the field side relied on the questionnaire form as a source for obtaining the necessary data for the research. It was designed in the light of its objectives and hypotheses, and it included two groups, the first is the demographic variables of the research sample, and the second is the variables of the research hypothesis, and it was classified on the five-point Likert scale, enabling the respondents to express their views on the statements provided, ranging from "strongly agree" to "strongly disagree".

(50) questionnaires out of about 500 chartered accountants were distributed, and the analysis was carried out on 45 of them suitable for analysis. The arithmetic mean attributed to the maximum value of the Likert scale was used, additionally the standard deviation and percentages to describe the research variables, then the analysis of (One Sample T- Test) to test the research hypothesis.

### *Data Source*

The research adopted the descriptive and analytical approach, and the necessary data was obtained from two sources:

- Primary sources: A survey distributing the questionnaire to a sample of bank-chartered accountants was used to collect the primary data, and after that, the research hypothesis was examined using the (SPSS) software.
- Secondary sources: Books, scientific research, reports, journals, and other sources were used to gather secondary material for this study to develop the theoretical framework and accomplish its goals.

## Results

Before presenting and analyzing the results, the stability of the measurement tool was verified, and the findings of the Cronbach alpha test indicated that the stability coefficients are greater than (0.70) for each of the study variables, which indicates the reliability of this tool.

**Table 1. Results of Cronbach's Alpha Test for Reliability**

Variable	Number of Paragraphs	Cronbach Alpha	Variable	Number of	Cronbach Alpha
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				<b>Paragraphs</b>	
<b>V1 Regulatory Environment</b>	6	0.838	V5 Risk Response	6	0.825
<b>V2 Setting Goals</b>	5	0.835	V6 Oversight Activities	12	0.876
<b>V3 Definition of Event</b>	4	0.726	V7 Information	11	0.912
<b>V4 Risk Assessment</b>	7	0.855	V8 Monitoring	7	0.897

Descriptive statistics for study variables and hypothesis testing results

Below are some descriptive statistics for each of the eight internal control components according to COSO, and their impact on reducing money laundering.

#### *Components of the Regulatory Environment*

Table (2) shows the descriptive statistics of the regulatory environment variable the phrases that measure it, and their importance in reducing money laundering, where it is found that its average importance is (4.181), i.e., more than the standard value represented by the average score of scale (3) by (1.181). A standard deviation (0.572) indicates the dispersion of values around this mean. This indicates the importance of the COSO regulatory environment component in reducing money laundering.

**Table 2. Results of the Regulatory Environment Tests**

<b>Transparent disclosure of money laundering risks</b>	<b>4.23</b>	<b>0.808</b>	<b>1</b>	<b>9.001</b>	<b>0.000</b>	<b>1.229</b>
<b>Provides a positive philosophy for management toward financial and auditing tasks</b>	4.23	0.731	2	9.942	0.000	1.229
<b>Provides a good method for management to delegate authority</b>	4.23	0.731	5	9.942	0.000	1.229
<b>The internal control system provides written rules to limit money laundering</b>	4.06	0.873	6	7.168	0.000	1.057
<b>Senior management forms an important part of the internal environment</b>	4.03	0.785	4	7.748	0.000	1.059
<b>Regulatory Environment</b>	<b>4.181</b>	<b>0.572</b>		<b>12.210</b>	<b>0.000</b>	<b>1.181</b>

The statements of this variable were all more than the standard value (3), where the third statement related to the suitability of the most important organizational structure came with an average of (4.31) and a standard deviation (0.676), while the fourth statement related to considering management as part of the control environment was the least important with an average of (4.03) and a standard deviation of (0.785). These differences were significant for all statements, as it was found that the increase in the average importance of the regulatory environment in reducing money laundering (1.181) at the value of (t) for this difference (12.210) and with a significant level (0.000), which means rejecting the nihilistic hypothesis and accepting the alternative hypothesis that states that the regulatory environment variable has an impact on reducing money laundering.

*Objective Setting Component*

Table (3) shows a description of the target-setting variable and its importance in reducing money laundering. The previous table shows that the COSO target-setting component is important in reducing money laundering, with an average importance of (3.96), and a standard deviation of (0.615). The statements of this variable were all more than the standard value (3), where the fifth phrase related to the development of a strategy for the bank consistent with the bank's objectives in reducing money laundering came at the forefront of those statements with an average of (4.2), and a standard deviation (0.833), while the third statement related to communicating information on the Bank's objectives to all its employees concerning reducing money laundering was the least important with an average of (3.80) and a standard deviation of (0.833).

**Table 3. Results of the Objective Setting Variable Test**

Objective Setting Variable Statements	Avr	S.dev	Questionnaire Phrase	T-value	Sig. level	difference
Consistent strategy and objectives are set for the bank to reduce money laundering	4.2	0.833	5	8.521	0.000	1.200
Ethical values affect the way strategy is implemented in the bank	4.06	0.684	1	9.150	0.000	1.057
Informing all employees of the bank's main and subsidiary objectives	3.91	0.742	2	7.285	0.000	0.914
Feedback helps convey money laundering information	3.83	0.857	4	5.720	0.000	0.829
Communicating information about the bank's objectives to all employees	3.80	0.833	3	5.681	0.000	0.800
<b>Objective Setting Variable</b>	<b>3.960</b>	<b>0.615</b>		<b>9.233</b>	<b>0.000</b>	<b>0.960</b>

The average importance of the objective setting in reducing money laundering was higher than the average metric (0.96). at the value of (t) for this difference (9.233) and at a significant level (0.000), which means rejecting the nihilistic hypothesis and accepting the alternative hypothesis that states that the target setting variable has an impact on reducing money laundering.

*Event Definition Component*

Table (4) shows that there is importance for the component of the definition of the event according to COSO in reducing money laundering, with an average importance of (3.926), and a standard deviation of (0.53). The statements of this variable were all more than the standard value (3), where the third statement related to the perception of the bank's key employees of the factors that guide events to reduce money laundering with an average of (4.06), and a standard deviation of (0.725), while the second statement related to taking into account the strategic actions to reduce money laundering in the past and in the future, with an average of (3.86) and a standard deviation of (0.69).

**Table 4. Results of the Event Definition Variable Test**

Event Definition Variable Statements	Avr	S.dev	Questionnaire Phrase	T-value	Sig. level	difference
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<b>Bank employees are aware of the factors that guide incidents to reduce money laundering</b>	4.06	0.725	3	8.623	0.000	1.057
<b>Management identifies potential events that may affect the bank's policy of reducing money laundering</b>	3.94	0.684	4	8.160	0.000	0.943
<b>Determines positions on internal or external sources that influence the implementation of strategies and goals</b>	3.89	0.758	1	6.912	0.000	0.886
<b>Considering event identification techniques for strategic money laundering actions</b>	3.86	0.692	4	7.327	0.000	0.857
<b>Event Definition Variable</b>	<b>3.936</b>	<b>0.530</b>		<b>10.449</b>	<b>0.000</b>	<b>0.936</b>

The increase in the average definition of the event in reducing money laundering compared to the average scale (3) amounted to (0.936) and the value (t) of this difference (10.449) and a corresponding significant level (0.000); which means rejecting the nihilistic hypothesis and accepting the alternative hypothesis that states that the event definition variable has an impact on reducing money laundering.

#### *Risk Assessment Component*

**Table 5. Risk Assessment Variable Test Results**

<b><i>Focus on the bank's risk priorities</i></b>	<b>4.18</b>	<b>0.707</b>	<b>5</b>	<b>9.809</b>	<b>0.000</b>	<b>1.171</b>
<i>Risk assessment enables us to anticipate the impact of potential events on the implementation of the objectives of reducing money laundering</i>	4.14	0.692	1	9.769	0.000	1.143
<i>Identifying internal and external risks that affect the bank's success in reducing bank laundering</i>	4.07	0.684	3	9.150	0.000	1.057
<i>Activating special mechanisms to identify changes affecting the bank's ability to achieve its goals</i>	4.06	0.728	4	8.131	0.000	1.000
<i>The Internal Audit Department evaluates risks periodically</i>	3.94	0.767	6	7.714	0.000	1.000
<i>Establish appropriate mechanisms to identify risks to reduce money laundering</i>	3.97	0.747	2	7.694	0.000	0.971
<i>The bank's management takes measures to confront the risks</i>	3.95	0.833	7	5.681	0.000	0.800
<i>Risk Assessment Variable</i>	<b>4.020</b>	<b>0.540</b>		<b>11.174</b>	<b>0.000</b>	<b>1.020</b>

Table 5 shows a description of the risk assessment variable and its importance in reducing money laundering. The fifth statement related to focusing on the bank's risk priorities was the most important, with an average of (4.17) and a standard deviation of (0.707), while the seventh statement was the least important in reducing money laundering, with an average of (3.80) and a standard deviation of (8.33).

To test the importance of risk assessment in reducing money laundering, the results of the (t) test for one sample showed that the value of the average of this variable exceeded the standard value represented by the average scale (3) by (1.02), where the value of the (t) test for this difference was (11.174) and a significant level of (0.000), which means rejecting the nihilistic hypothesis and accepting the alternative hypothesis that states that the risk assessment variable has an impact on reducing money laundering.

#### *Risk Response Component*

**Table 6. Risk Response Variable Test Results**

<b>Risk Response Variable Statements</b>	<b>Avr</b>	<b>S.dev</b>	<b>Questionnaire Phrase</b>	<b>T-value</b>	<b>Sig. level</b>	<b>difference</b>
<b>The presence of a special committee at the bank to review risks related to reducing money laundering</b>	3.97	0.891	5	6.453	0.000	0.971
<b>The bank relies on the efficiency of its employees' thinking to reduce risks</b>	3.89	0.932	6	5.621	0.000	0.886
<b>Risk assessment as part of the internal control system to reduce money laundering</b>	3.86	0.845	3	6.000	0.000	0.857
<b>The Board of Directors or the Audit Committee monitors the risk assessment and takes measures to reduce money laundering</b>	3.77	0.731	1	6.243	0.000	0.771
<b>Ensure that control activities adhere to the established policy for confronting risks</b>	3.77	0.877	4	5.202	0.000	0.77
<b>The budget is updated for the following year to reflect changes in circumstances caused by risks</b>	3.69	0.796	2	5.096	0.000	0.686
<b>Risk Response Variable</b>	<b>3.824</b>	<b>0.620</b>		<b>7.866</b>	<b>0.000</b>	<b>0.824</b>

Table 6 shows a description of the risk assessment variable and its importance in reducing money laundering.

The fifth phase about the existence of a special committee in the bank to review the risks related to money laundering was the most important in reducing money laundering, with an average of (3.97) and a standard deviation of (0.891), while the second phrase was about updating the budget of the following year to show changes in conditions resulting from money laundering risks with an average of (3.69) and a standard deviation of (0.796), which was the lowest in the ranking due to its importance in money laundering.

The average importance of risk response as a component of internal control according to COSO was (3.824) and a standard deviation of (0.62), and the results of the (t) test showed that the difference of the average of this variable from the standard value (3), which increases (0.824) and the value of the test (t) for



this difference (7.86) and a significant level (0.000), which means rejecting the null alternative hypothesis that states that the risk hypothesis and accepting the has an impact on reducing money laundering assessment response variable.

#### *Oversight Activities Component*

Table (7) shows that the variable of control activities as a component of internal control according to COSO is important from the perspective of external auditors. The average of each of its statements was more valuable than the average (3), with the highest average for the eleventh statement with an average of (4.2) and a standard deviation (0.639), while the least important statement had an average of (3.8) and a standard deviation of (0.714) for the tenth statement related to the separation of functions of the Computer Division.

The average significance of this variable was (3.995), which is (0.995) more than the average of the scale with a standard deviation of (0.465), and the value of (t) for this difference was (12.667) with a significant percentage of (0.000). This means rejecting the nihilistic hypothesis and accepting the alternative hypothesis that the variable of regulatory activities has an impact on reducing money laundering.

**Table 7. Oversight Activities Variable Results**

Oversight Activities Variable Statements	Avr	S.dev	Questionnaire Phrase	T-value	Sig. level	difference
Verifying financial transactions and events before and after they occur	4.21	0.642	11	11.235	0.000	1.200
Physical control over the use of assets	4.14	0.820	9	8.361	0.000	1.143
Procedures to help respond to money laundering risks	4.12	0.686	1	9.760	0.000	1.114
Risk assessment is a prerequisite for determining control activities	4.07	0.674	4	9.160	0.000	1.057
Policies are reviewed periodically to ensure they are appropriate to reduce money laundering	4.07	0.735	5	8.633	0.000	1.057
Ensures risks are responded to at the appropriate time and manner	3.98	0.717	3	8.144	0.000	0.971
Define oversight activities into two categories: preventive and detective	3.95	0.735	6	7.681	0.000	0.943
Supervision activities include aspects of banking activity	3.95	0.863	7	6.383	0.000	0.943
Control activities are part of the bank's achievement of its business objectives	3.92	0.732	2	7.275	0.000	0.914
Separation of functions	3.92	0.622	8	8.845	0.000	0.914
Clarifying the procedures for using the systems - user manuals	3.88	0.641	12	8.313	0.000	0.886

Separation of the functions of the Computer Division	3.81	0.719	10	6.568	0.000	0.800
Oversight Activities Variable	3.995	0.465		12.667	0.000	0.995

*Information and Communication Component*

Table 7. Information and Communication Variable Results

Information and Comm. Variable Statements	Avr	S.dev	Questionnaire Phrase	T-value	Sig. level	difference
The presence of a financial and non-financial information system for all the bank's activities	4.20	0.652	1	11.235	0.000	1.210
Modifying systems to confront bank risks to reduce money laundering	4.11	0.728	4	9.187	0.000	1.124
Having people with information to influence risk management	4.03	0.775	9	7.758	0.000	1.039
Communicating violations related to money laundering without mentioning the amount	4.03	0.847	10	7.200	0.000	1.039
There are sufficient and effective lines of communication throughout the bank	3.94	0.948	5	5.960	0.000	0.953
Informing employees of established regulations, laws, and instructions	3.91	1.021	6	5.341	0.000	0.924
Informing employees of the regulatory controls and how to deal with them	3.91	0.877	8	6.089	0.000	0.924
Developing AIS to address the risks of reducing money laundering	3.89	0.786	2	6.573	0.000	0.876
Ensure timely delivery of information by employees	3.86	0.944	3	5.383	0.000	0.847
Having open communication channels to report all risks	3.86	0.889	7	5.757	0.000	0.847
Responding to communications from external parties in a timely and appropriate manner	3.73	0.775	11	6.252	0.000	0.839
<b>Information and Communication Variable</b>	<b>3.971</b>	<b>0.626</b>		<b>9.225</b>	<b>0.000</b>	<b>0.961</b>

Table (8) shows the importance of each of the phrases of the information and communication variable, as it is shown that the average importance of the information and communication variable was (3.971) with a standard deviation of (0.626).

The first phase of this variable expresses the existence of a financial and non-financial information system for all the bank's business was the most important in reducing money laundering, with an average importance of (4.2) and a standard deviation of (0.632), while the eleventh statement was the least important, with an average importance of (3.83) and a standard deviation of (0.785).

It is noted that the increase in the importance of the information and communication variable from the average of scale (3) by (0.961) and this difference is a significant difference because the value of the test (t) for this difference (9.225) versus a significant level (0.000), which means rejecting the null hypothesis and accepting the alternative hypothesis that states that the information and communication variable has an impact on reducing money laundering.

#### *Monitoring Component*

The results of the field study as in the following table (9) showed that all the statements that measure the control variable as a component of internal control were more important than the average (3). The fifth phase was to respond to the recommendations of the external auditor to control the reduction of money laundering.

The mean importance of this phrase was (4.17) with a standard deviation of (0.618), while the mean of the least important statement for this variable was (3.91) for the sixth statement related to the continuous monitoring of the bank's management of money laundering activities with a standard deviation of (0.818).

The average importance of the monitoring variable in reducing money laundering was (4.016) and a standard deviation of (0.558). Therefore, this average is more than the average scale by (1.016), and the difference is significant because the value of the test (t) for this difference amounted to (10.767) and a corresponding significant level (0.000), which means rejecting the null hypothesis and accepting the alternative hypothesis that states that the control effectiveness variable has an impact on reducing money laundering.

**Table 9. Monitoring Variable Results**

Monitoring Statements	Variable	Avr	S.dev	Questionnaire Phrase	T-value	Sig. level	difference
Responding to the recommendations of the external audit auditor to reduce money laundering		4.17	0.628	5	11.220	0.000	1.171
Risk management is monitored by a competent authority related to money laundering		4.06	0.674	1	9.150	0.000	1.057
Amending supervisory policies and procedures to reduce money laundering		4.06	0.639	3	9.786	0.000	1.057
Taking corrective measures regarding what was reported by the internal auditor		4.03	0.747	4	8.146	0.000	1.029
Monitoring the extent of implementation of supervision and amending it to reduce money laundering		3.94	0.639	2	8.728	0.000	0.943
Issuing a report on responsibility for designing		3.94	0.802	7	6.952	0.000	0.943

<b>an internal control system to reduce money laundering</b>						
<b>The bank's management constantly monitors the control components to reduce money laundering</b>	3.91	0.818	6	6.614	0.000	0.914
<b>Monitoring Variable</b>	<b>4.016</b>	<b>0.558</b>		<b>10.767</b>	<b>0.000</b>	<b>1.016</b>

### *Conclusions and Recommendations*

#### **Conclusions**

From the above, we conclude the following conclusions: There is great interest and awareness by the management of Jordanian commercial banks of the need to apply effective internal control systems following the approach of the COSO Committee to eliminate the phenomenon of money laundering. The practical and scientific foundation for ending money laundering operations in banks is the impact of regulatory environment factors on the internal control system's goals in Jordanian banks. Because of how important it is to stop money laundering at those institutions, there is a robust and efficient information and communication infrastructure in place between them. The existence of efficient internal control system monitoring in banks is crucial because it serves as the framework for the other components, which together work to accomplish the internal control system's goals and ultimately result in the closure of money laundering operations there. The presence of internal control component integration following the COSO framework and their effective application to eliminate the phenomenon of money laundering in those banks.

#### **Recommendations**

The need to adopt the self-assessment model for supervisory risks in banks because of its advantages in indicating the types of risks surrounding the bank that relate to the concepts, operations, and stages of money laundering.

Working hard to analyze and estimate the risks that pose a threat to achieving the objectives of banks, especially about money laundering operations.

To eradicate the phenomenon of money laundering in those banks, efforts are being made to strengthen control activities, which serve as a fundamental pillar of the internal control system. These efforts involve paying careful attention to the existence of appropriate between similar tasks, giving authority to each managerial level, giving effective control in the bank's funds and assets, and giving physical and electronic security on assets and records.

To stop money laundering operations, there should be more focus on the control element, which is connected to the process of evaluating the effectiveness of control over the internal control mechanisms through ongoing assessments as well as independent evaluations that are based on risk assessment and the efficiency of continuous control procedures.

The need to hold educational courses by the Jordanian Academy of Certified Public Accountants on the importance of using internal control systems by the COSO Committee's approach to confront the risks of emerging money laundering operations.

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