



**Arab American University**  
**Faculty of Graduate Studies**

**The Impact of Internal Control on Fraud Prevention and Detection in  
Commercial Banks Operating in Palestine.**

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**This thesis was submitted in partial fulfillment of the requirements for  
the Master's degree in Accounting and Auditing**

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## Thesis Approval

### **The Impact of Internal Control on Fraud Prevention and Detection in Commercial Banks Operating in Palestine.**

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This thesis was defended successfully on 2/ 8 /2025 and approved by:

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## **Declaration**

I declare that the content of this thesis is my own research work, unless otherwise referenced. I certify that this thesis does not contain any material published before by another person or has been submitted elsewhere for any degree or qualification.

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## **Dedication**

To those who planted the seeds of knowledge and faith within me and nurtured them with their endless prayers and unwavering support:

To my dear parents, the guiding lights of my life, who have been my foundation and motivation every step of the way towards success. Thanks to their patience, sacrifices, and constant prayers, I have achieved what I have today.

To my beloved mother, a symbol of boundless giving, who taught me that true strength lies in the heart and will, not in the body.

To my dear father, who inspired me with his wisdom and sound judgment, setting an example of hard work and dedication.

To my dear brothers and sisters, my loyal friends, who have always been my support and encouragement, sharing with me moments of joy and challenge.

I dedicate this work to all of you because, without your belief in me, this achievement would not have been possible. I pray to God that it becomes beneficial knowledge and a cherished memory that enshrines love in your hearts toward me.

## **Acknowledgement**

Praise be to God who enabled me to complete my message and achieve this stage.

He who does not thank people does not thank people

I dedicate my sincere thanks to my beloved university, my second home, which was a safe embrace for me during the stages of my studies (Bachelor's and Master's degrees(

To the esteemed faculty members who did their utmost to give me the wealth of their knowledge and put their efforts into building me and developing my skills and knowledge, and they did not spare a day in helping me move forward on my academic path.

To my thesis supervisor, who helped me best in completing this research, Dr. Raed Saad

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## Abstract

This study aimed to investigate the impact of the internal control system on fraud prevention and detection in commercial banks operating in Palestine from the perspective of their employees. The study relied on a descriptive analytical approach, whereby primary data was collected using a questionnaire prepared for this purpose. Sample responses were analyzed using SPSS. The study population included all employees in commercial banks in Palestine, totaling approximately (5,655) male and female employees distributed across (11) commercial banks. The sample size was (250) male and female employees, selected using a simple random sample method. (206) valid questionnaires were returned for analysis, representing an appropriate response rate.

The results showed that the internal control system in commercial banks enjoys a high level of effectiveness in preventing and detecting fraud. Control activities ranked first in terms of effectiveness, followed by the control environment, then information and communications. Fraud prevention and detection aspects ranked fourth, followed by risk assessment, and follow-up ranked last with a relatively lower average. The results also showed a statistically significant relationship between the effectiveness of the internal control system in its various dimensions (control environment, risk assessment, control activities, information and communications, and monitoring) and its ability to prevent and detect fraud. These results underscore the importance of enhancing the effectiveness of internal control in all its aspects, which contributes to strengthening efforts aimed at combating banking fraud and achieving a safer and more reliable financial environment. The results also showed a significant impact of the dimensions of internal control on reducing and detecting fraud, indicating that improving these dimensions positively reflects on banks' ability to confront fraudulent practices.

Based on these results, the researcher recommends several recommendations, including:

1. Banks should adopt the latest technologies, provide continuous training to employees, and periodically update policies and procedures to effectively address the changing and increasing threats in the banking environment.
2. Enhancing the control environment is advised to ensure effective governance, and improving information and communication channels to facilitate timely decision-making and fraud detection.
3. Banks should prioritize the implementation of operations and procedures to ensure reliable execution of management directives

Keywords: Internal control, Fraud prevention and detection, Commercial banks, Palestine

## Table of Contents

#	Title	Page
	Thesis Approval.....	I
	Declaration.....	II
	Dedication.....	III
	Acknowledgement.....	IV
	Abstract.....	V
	Table of Contents .....	VI
	List of Tables .....	X
	List of Figures.....	XI
	List of Appendices.....	XII
	List of Definitions of Abbreviations.....	XIII
	Chapter One Introduction .....	1
	1.1. Introduction: .....	1
	1.2 Research Problem and Questions .....	3
	1.3. Research Objectives .....	4
	1.4 Significance of the study .....	5
	1.5 Research Model .....	5
	1.6 Research hypotheses.....	6
	1.7 Research Terminology.....	7
	1.8 Research Structure.....	8
	Chapter Two .....	9
	Literature Review .....	9
	2.1. Introduction .....	9
	2.2. Theoretical Review.....	9

2.2.1. Concepts of Internal Control .....	9
2.2.3. Elements of the Internal Control System.....	10
2.2.4. Functions of Internal Controls .....	11
2.2.5. Types of internal control activities .....	12
2.2.6. Limits of internal control.....	13
2.3.1. Concepts of Fraud.....	13
2.3.2. Types of Fraud in Banks.....	14
2.3.3. Reasons for fraud.....	16
2.3.4. Fraud Terms (Fraud Triangle): .....	17
2.3.5. Fraud prevention methods .....	17
2.3 Previous studies .....	18
2.3.1. Studies related to internal control: .....	18
3.1.2. Studies related to preventing and detecting fraud: .....	19
3.1.3. Studies related to internal control in preventing and detecting fraud:.....	19
2.3.2 Research gap analysis .....	20
3.1 Introduction .....	22
3.2 Research Method .....	22
3.3 Research Strategy .....	22
3.4 Data Source and Data Allocation Method.....	22
3.4.1 Firstly, Secondary Data: .....	22
3.4.2 Secondly, Primary Data:.....	23
3.5 Study Population .....	23
3.6 The Sample .....	23
2Table (3.2) The response rate of banks to fill out the questionnaire .....	23
3.7 Study Instrument .....	24
3.8 Correction Style:.....	24

3.9 Survey Description .....	24
3.10 Survey Validity:.....	25
Table (3.4): Pearson correlations between the sections of the questionnaire and the overall score of the questionnaire. ....	25
3.11 Reliability of the Questionnaire: .....	26
4Table (3.5): Reliability Coefficients for Questionnaire Sections .....	26
3.12 Questionnaire Management:.....	26
3.13 Model Specification.....	27
3.14 Data Coding Process: .....	27
3.15 Data Analysis: .....	27
3.16 Statistical Analysis: .....	28
4.1 Introduction .....	29
4.2 Sample Characteristics: .....	29
4.2.1 Gender .....	29
4.2.2 Age .....	29
4.2.3 Academic Qualifications .....	30
4.2.4 Years of Experience.....	30
4.2.5 Job Titles .....	30
1Table (4.1): Sample characteristics .....	31
4.3 Study Results: .....	32
4.4 <i>Internal control analysis</i> .....	33
4.4.1 Control environment.....	33
4.4.2 Risk assessment .....	35
4.4.3 Control Activities .....	37
4.4.4 Information and contact.....	39
4.4.5 Monitoring .....	41
4.5 preventing and detecting fraud .....	42

Preventing and Detecting Fraud .....	44
4.6 Hypotheses Testing. ....	44
4.6.1 Pearson correlation test.....	45
4.6.2 regression test .....	47
Chapter Five .....	56
Summary and Recommendations .....	56
5.1 Findings .....	56
5.2 Conclusion .....	57
5.3. Recommendations: .....	57
5.4 Suggested researches .....	58
5.5 Study Limitations and Constraints: .....	58
References .....	60
Appendices .....	63
ملخص الدراسة باللغة العربية .....	76

## List of Tables

Table	Title of Tables	page
Table (3-1)	commercial banks operating in Palestine. (Palestinian Banks Association, 2024).....	23
Table (3.2)	The response rate of banks to fill out the questionnaire .....	23
Table (3.3):	Correction Key.....	24
Table (3.5):	Reliability Coefficients for Questionnaire Sections .....	26
Table (4.2):	The level of application of internal control to prevent and detect fraud in commercial banks operating in Palestine .....	32
Table (4.3 ):	Level of application of the Control environment .....	33
Table (4.4 ):	Level of application of the Risk assessment.....	35
Table (4.5 ):	Level of application of the Control Activities .....	37
Table (4.6 ):	Level of application of the Information and Communication .....	39
Table (4.7 ):	Level of application of the Monitoring.....	41
Table (4.8):	The level of fraud prevention and detection on the protection of Palestinian commercial banks.....	43
Table (4.9)	Pearson correlation test on the impact of internal control on fraud prevention and detection in commercial banks operating in Palestine .....	45
Table (4.10 ):	Model Summary between control environment in preventing and detecting fraud .....	47
Table (4.11 ):	anova between control environment in preventing and detecting fraud .....	48
Table (4.12):	Model Summary between Risk Assessment in preventing and detecting fraud .....	49
Table (4.13 ):	anova and Coefficients between Risk Assessment in preventing and detecting fraud.....	49
Table (4.14 ):	Model Summary between Control Activities in preventing and detecting fraud .....	50
Table (4.15 ):	anova and Coefficients between control activities in preventing and detecting fraud.....	51
Table (4.16 ):	Model summary between information and communication in preventing and detecting fraud.....	52
Table (4.17 ):	anova and coefficients between information and communication in preventing and detecting fraud.....	52
Table (4.18 ):	Model Summary between Monitoring in preventing and detecting fraud.....	53
Table (4.19 ):	anova and coefficients between monitoring in preventing and detecting fraud .....	54

**List of Figures**

No.	List of Figures	Page
Figure (1.1)	Research Model.....	5

**List of Appendices**

No.	Title	Page
Appendix No. (1):	Names of the arbitrators .....	63
Appendix No. (2):	Questionnaire .....	64

### List of Definitions of Abbreviations

Abbreviations	Title
CIMA	Chartered Institute of Management Accountants
COSO	Committee of Sponsoring Organizations of the Treadway Commission
PMA	Project Management Association
ACFE	Association of Certified Fraud Examiners
ICAEW	Institute of Chartered Accountants in England and Wales
CAGBONA	Chartered Accountants Group of Bodies of Nigeria
INTOSAI	International Organization of Supreme Audit Institutions
ISA 315	International Standard on Auditing 315
AICPA	American Institute of Certified Public Accountants
GOV.UK	Government of the United Kingdom
IIA	Institute of Internal Auditors
NACDL	National Association of Criminal Defense Lawyers
GCG	Good Corporate Governance
AIS	Accounting Information System
DMBs	Detecting Fraud in Deposit Money Banks

## Chapter One

### Introduction

#### 1.1. Introduction:

The beginning of professional interest in internal control dates back to the establishment of the United States Institute of Internal Auditors in the United States in 1941. This was a fundamental step in the field of professional conduct of internal control. Internal control plays an important role in all commercial, industrial and service establishments. Supports senior management in decision-making by furnishing information on the efficacy and efficiency of the internal control systems implemented within the organization. Following a sequence of residual crises witnessed by numerous companies, particularly in developed nations, such as the financial collapses observed in multiple East Asian and Latin American countries in 1997., which led to bankruptcies and financial collapses, which led to a review of the structures of the board of directors from point of view of investors and shareholders, and the management began to change its accounting policies to improve the image of its profitability, taking advantage of the multiplicity of alternatives available in accounting policies, in order to serve the goals of management rather than the goals of the company as a whole, so there was an interest from major accounting and auditing institutions to identify and detect financial fraud, and detection became Fraud is a priority. In addition, the auditing profession (**al-Sahn , 2007**).

Internal control is those procedures, policies and programs that are adopted to ensure that government programs achieve the goals for which they were planned, and that the resources used to provide these programs are in line with the goals set for the concerned organizations, so that these resources are protected from losses, fraud and mismanagement, in addition to the fact That the information must be reliable and obtained and maintained in a timely manner to be reported for use in decision-making **Shehata (2018)**because it is a set of systems or aspects of independent activity established by management to perform its services in implementing processes and constraints with continuous efficiency, to ensure The accuracy of accounting and statistical data and to ensure the precautions taken to protect the project's assets and property, and to verify the project's staff. The project follows the administrative policies, plans, and procedures established for it until the project reaches the maximum level of efficiency (**Ibrahim , 2016**).

According to **Putra and Kansil (2020)**, banks are a business entity that collects money from the public in the form of savings and distributes it to the public in the form of credit or other forms in order to improve the living standards of the people. Like everything. Hence, it is imperative for bank management to actively uphold public trust to attract potential customers, as public trust stands as a pivotal factor in banking, as emphasized by **Sapariyah et al. (2017)**. This involves strict adherence to regulations and avoiding errors that may result in violations and fraud. Instances of fraud, whether perpetrated by internal employees, collusion among staff, or external parties, not only lead to financial losses but also tarnish the company's reputation. Effectively mitigating fraud necessitates a combination of preventative measures, deterrence, thorough detection, and comprehensive investigative procedures. (**Reding et al. (2013)**).

Fraud is a widespread issue with far-reaching implications across various sectors of the economy. The National Bank of Ethiopia (2014) defines fraud as "an act or omission by shareholders, directors, employees, or customers with the intent to obtain dishonest or unlawful advantages for the party committing the fraud or for other parties." The motivations behind fraud are diverse and may involve obtaining funds, goods, or services; evading payment or loss of services; or securing personal or business advantages. According to the Chartered Institute of Management Accountants (CIMA, 2008), understanding fraud requires consideration of factors such as the motives of potential offenders, the circumstances justifying their actions, the likelihood of the crime occurring, the perceived capabilities of the fraudster, the anticipated and actual risk of discovery, and the expectations and consequences associated with the discovery of the fraudulent activity.

As stated by **Idowu and Adedokun (2013)**, it is difficult to estimate the cost of fraud to a business because not all fraud and abuse are detected, not all fraud detected is reported, and civil or criminal action is not always initiated. According to Ma'an, Jordan Ahli Bank lost a lot of money due to fraudulent practices. The significance of a robust internal control system within the banking sector cannot be overstated, as emphasized by Gamage et al. (2014). Given that the various economic activities hinge largely on the strength and stability of the banking sector, the need for an effective internal control system becomes paramount. Internal control, in its comprehensive sense, encompasses the entire management system, aiding the organization's business processes in an orderly and efficient manner. This is achieved through the implementation of thorough automated checks and balances on transactions. Having properly designed and consistently implemented internal controls is the foundation for a safe banking institution and helps the bank's board and management to protect the bank's resources,

prepare reliable financial reports, and comply with laws and regulations (**Kumuthinidevi ,2016**)

Internal controls must include their integrated components: control environment, risk assessment, control activities, information and communication, and control activities (**COSO , 2012**). According to **Ayodele et al. (2021)**, many studies emphasize the need and importance of internal control systems in the banking system. An ineffective internal control system frequently leads to the failure to identify fraudulent activities and a subsequent decline in the overall performance of a bank. Consequently, the primary objective of this study is to investigate the influence of the internal control systems within banks operating in Palestine on both the prevention and detection of fraud.

In conclusion, internal control represents a vital mechanism for safeguarding assets, ensuring compliance, and supporting sound decision-making. Its importance is magnified in the banking sector, where effective systems are essential for preventing and detecting fraud, maintaining public trust, and promoting financial stability. Accordingly, this study seeks to examine the effectiveness of internal control systems in Palestinian banks and their role in reducing the risk of fraud.

## **1.2 Research Problem and Questions**

Fraud is a complex global problem that affects organizations through loss of funds and can erode customer confidence in organizations and waste investigation time (**Chelangat , 2014**) Although banks do their best to prevent and detect fraud, there are still criminals who take money from consumers bypassing all safeguards **Olatunji (2009)** According to a report issued by the Association of Certified Fraud Examiners **ACFE (2020)**, institutions lose about 5 percent of their annual revenue due to fraudulent activities, and the lack of adequate internal controls contributed to a third of the frauds committed. Palestinian, but when looking at the total non-performing loans that expose banks to financial risks, **as PMA (2022)** indicate that the value of non-performing loans at the end of 2022 amounted to 446.3 million dollars, given that one of the most important causes of non-performing loans is Borrower's non-compliance with the bank's directives and instructions, failure to adequately study the follow-up of loan files and the use of loans for other than the purpose for which they were granted or even escaping without paying, This study aims to elucidate the control procedures adopted by banks operating in Palestine concerning internal control and mechanisms for preventing fraud, as indicated by **Kalkidan (2017)**. The identified causes of fraud encompass poor ethical and moral

standards, the absence of online vetting, deficiencies in background checks during the recruitment process, a lack of risk assessment by the Risk and Compliance Department, inadequacies in the information and communication system, and ineffective monitoring and oversight activities. Recognizing these factors, it becomes evident that a heightened focus on enhancing internal controls is crucial in the fight against fraud. By addressing these underlying issues, losses could have been averted had the banks maintained a robust internal control system. Notably, there is a dearth of research in Palestine on the impact of internal control in preventing and detecting fraud within the banking industry. Therefore, this study investigates the influence of internal control on the prevention and detection of fraud in Palestinian banks operating in the region.

The study aimed to address the following research questions:

**The main question:**

- Does internal control system has a significant impact on fraud prevention and detection in **Commercial** banks operating in Palestine?

**The main question is divided into the following sub-questions:**

- Does the control environment significantly influence the prevention and detection of fraud within **Commercial** banks operating in Palestine?
- Does risk assessment significantly impact the prevention and detection of fraud within **Commercial** banks operating in Palestine?
- Do control activities significantly affect the prevention and detection of fraud within **Commercial** banks operating in Palestine?
- Do information and communications significantly influence the prevention and detection of fraud within **Commercial** banks operating in Palestine?
- Do monitoring activities significantly impact the prevention and detection of fraud within **Commercial** banks operating in Palestine?

### **1.3. Research Objectives**

The study aimed to achieve the following objectives:

1. Assessing the current internal control practices of **Commercial** banks in Palestine to determine their effectiveness in preventing and detecting fraud.
2. Evaluating the proficiency of fraud prevention and detection measures within **Commercial** banks operating in Palestine.

3. Investigating the correlation between internal control (IC) mechanisms and the effectiveness of preventing and detecting fraud in **Commercial** banks in Palestine.
4. Determining the impact of the internal control system on fraud prevention and detection within **Commercial** banks in Palestine.
5. Identifying the challenges that hinder the efficient implementation of the internal control system in the detection and prevention of fraud within **Commercial** banks operating in Palestine.

#### **1.4 Significance of the study**

The results of this study help the Palestinian Monetary Authority and the Palestinian Government, through banks operating in Palestine, to formulate fraud risk management policies and internal control systems. This study holds significant relevance for the boards of directors of banks in Palestine, particularly in enhancing the control environment. It also provides valuable insights for operational staff involved in implementing internal controls by evaluating the effectiveness of existing controls. Moreover, for the academic community, the research contributes to expanding the knowledge base of researchers and scholars on the selected topic. The study not only sheds light on the current scenario but also identifies potential areas for future research, offering a foundation for subsequent investigations by business researchers.

#### **1.5 Research Model**

The research model consists of the independent variable, in addition to the dependent variable as shown in Figure (1.1).

##### **Dependent Variable:**

The dependent variable is **Prevention and Detection of Fraud**

##### **Independent Variable:**

The independent variable is **Internal Control System Dimensions**, which consists of the following dimensions:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

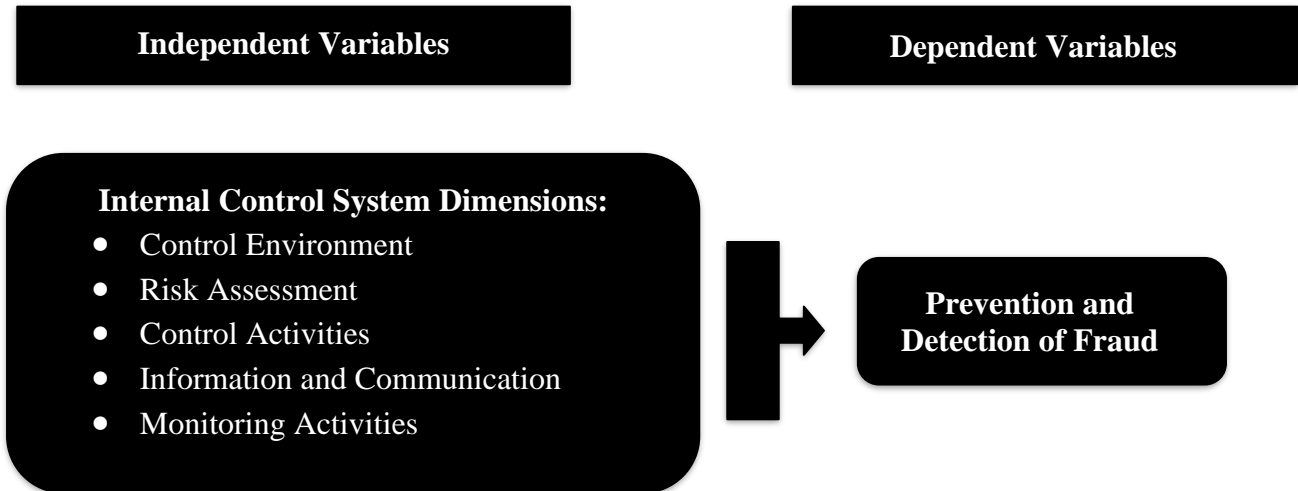


Figure (1.1): Research Model  
(Prepared by the researcher)

## 1.6 Research hypotheses

### First Main hypothesis:

**Ha:** There is a statistically significant correlation between the effectiveness of the internal control system and its various aspects (control environment, risk assessment, control activities, information and communication, and Monitoring) in preventing and detecting fraud within commercial banks operating in Palestine.

### Second Main hypothesis:

**Hb:** There is a statistically significant effect of the application of internal control and its various aspects (control environment, risk assessment, control activities, information and communications, monitoring) in preventing and detecting fraud within the bank.

### Sub-hypotheses

- **Hb 1:** The first sub-hypothesis: There is a statistically significant effect of applying the control environment in preventing and detecting fraud in commercial banks operating in Palestine.
- **Hb 2:** The second sub-hypothesis: There is a statistically significant effect of applying the risk Assessment in preventing and detecting fraud in commercial banks operating in Palestine
- **Hb 3:** The third sub-hypothesis: There is a statistically significant effect of applying control activities in preventing and detecting fraud in commercial banks operating in Palestine.

- **Hb 4:** The fourth sub-hypothesis: There is a statistically significant effect of applying Information and Communication in preventing and detecting fraud in commercial banks operating in Palestine
- **Hb 5:** The fifth sub-hypothesis: There is a statistically significant effect of applying the Monitoring in preventing and detecting fraud in commercial banks operating in Palestine.

## 1.7 Research Terminology

In the context of this study, the following key terms are defined:

- **Monitoring:** The continuous evaluation of internal fraud, where fraud is defined as any intentional act, expression, omission, or concealment intended to deceive another person against their interest, specifically involving misrepresentation or concealment of a material fact in a transaction, with knowledge of its falsity (Graham , 2015).
- **Internal Control System:** The internal control system, as relevant to this research, encompasses the control environment, risk assessment, information and communication, as well as control and oversight activities formulated by the board of directors, management, and other employees. Its purpose is to prevent and detect fraud (Nour El Din, 2017).
- **Control Environment:** The control environment refers to management's stance on control, integrity, ethical values, and dedication to compliance, embodying the management and operating philosophy (Ashraf, 2025).
- **Control Activities:** Control activities involve the policies, procedures, and directives established by the entity's management to ensure the achievement of organizational objectives (Alzoubi, 2025).
- **Risk Assessment:** Risk assessment is an ongoing process of identifying and analyzing management for risks associated with fraud occurrence and risks related to the preparation of financial statements and the attainment of organizational objectives, which are integral components of the internal control system (Graham , 2015).
- **Information and Communication:** This term pertains to the process of identifying, capturing, analyzing, classifying, summarizing, and communicating relevant information in a timely and appropriate manner to achieve financial reporting objectives (Daud & Patandean, 2025).

## **1.8 Research Structure**

This study has been divided into five chapters:

- Chapter One: Introduction

This chapter includes the introduction to the study, its problem, the importance that this study will add, the study questions and its hypotheses.

- Chapter Two: Literature Review

This chapter includes the theoretical framework of the study as well as a review of previous studies related to the research topic.

- Chapter Three: Research Methodology

This chapter includes a presentation of the study community and sample, as well as the study methodology, the tool used, and testing the validity and reliability of the tool.

- Chapter Four: Results

This chapter includes a presentation of the results of the study questions and hypotheses and a discussion of these results.

- Chapter Five: Summary and Recommendations

This chapter includes a presentation of the study results and recommendations.

## **Chapter Two**

### **Literature Review**

#### **2.1. Introduction**

This chapter delves into the literature constructing a theoretical framework for banking internal control and its implications for fraud prevention and detection. It offers a focused discussion related to the research questions, commencing with a review of pertinent theories. Subsequently, the chapter presents empirical studies that examine the correlation between the internal control system and fraud detection and prevention. Lastly, it reviews the research gaps identified by the researcher and introduces conceptual frameworks.

#### **2.2. Theoretical Review**

##### **2.2.1. Concepts of Internal Control**

The management of every financial institution is responsible for implementing measures to establish an effective internal control system, as failing to adopt appropriate policies and procedures may expose the bank to fraud or hinder its mitigation (Agyemang, 2020). DiNapoli (2016) emphasizes that internal control aims to achieve the organization's mission, providing "reasonable assurance" that objectives will be met, while weaknesses in control reduce the likelihood of success. Various organizations have issued standards and guidelines for internal control, highlighting its comprehensive nature, alignment with the organization's mission, and reliance on individuals.

Institute of Chartered Accountants in England and Wales ICAEW (1999) defines internal control as the policies, procedures, and behaviors that facilitate the organization's efficient and effective operation, ensure the quality of reports, and ensure compliance with laws and internal policies. Boqara and Bushiriba (2023) view the system as an integrated framework to control activities, protect the organization from fraud and errors, safeguard assets, and achieve objectives. According to the International Standard on Auditing No. (315) and Hanish (2020), internal control is a process that provides reasonable assurance regarding the achievement of organizational objectives, including the reliability of reports, operational effectiveness, and compliance with laws and regulations.

The American Institute of Accountants defines internal control as an independent evaluation activity within an organization to review the quality of its operations, assess compliance with laws and policies, evaluate operational efficiency, and detect fraud (Gagbona et al., 2020). Al-Zahra and Haj Ahmed (2022) further describe it as a set of procedures and regulations that support the organization's objectives, ensure structured management, and improve operational performance.

### **2.2.2. Internal control objectives:**

The main objective of the internal control system that seeks to achieve is to reconcile the actions and behavior of the people who work in the economic unit with the operational objectives of the economic unit. Studies of professional organizations that deal with control issues internal control unanimously agree on four basic objective principles adopted by any generally accepted effective and successful internal control system (**Beuren et al , 2023**):

1. Protect the assets of the economic unit from fraud and manipulation and preserve the rights of others in the economic unit.
2. Comply with management decisions and policies, including rules and procedures established by management to achieve stated objectives, reduce errors and theft that may occur, adhere to appropriate laws and regulations, and determine executive procedures, regulations, and instructions to ensure the progress of the work.
3. Accuracy of accounting data and degree of credibility.
4. Improve production efficiency by achieving the optimal relationship between inputs, processes and products.

### **2.2.3. Elements of the Internal Control System**

COSO (1992) identifies five interrelated components that constitute the internal control system: the control environment, the entity's risk assessment process, internal controls (control activities), information and communication, and the monitoring of controls.

1. **Control Environment:** The Control Environment also referred to as the internal environment of an organization is the most vital component of the internal control system that addresses the condition of the company, affecting the control consciousness of its people (**Agyemang , 2020**). The vital constituents of an effective control environment include: the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility,

organizes and develops its people; and the attention and direction provided by the board of directors (COSO , 2012)

2. **Risk Assessment:** in order to minimize errors and irregularities management assesses risks as part of designing and operating internal control system and risk assessment should be done for all components of internal control elements, from control environment to monitoring (Hayes & et al, 2005). Risk assessment involves identifying and analyzing pertinent risks that could impact the achievement of objectives. This process forms the foundation for determining how these risks should be managed. Mechanisms should be placed to identify and deal with risk since economic, industry, regulatory and operating conditions will continue to change (COSO , 1992)
3. **Control Activities:** encompass the establishment and execution of policies and procedures designed to confirm the necessity of actions identified by management in mitigating risks. Specifically, these activities are the policies and procedures put in place to ensure the proper and timely execution of management directives. Necessary actions are taken to manage, reduce and to address risks towards the achievement of the entity's objectives (COSO , 1992)
4. **Information and Communication:** Information is essential for the organization to fulfill its internal control responsibilities, ensuring that it contributes to the attainment of its objectives. Internal and external communication provides the organization with the information necessary to perform its day-to-day internal control activities COSO (2012) Agyemang (2020) stated that Information and Communication component are systems or processes that identify, capture, and exchange information in a form that enables people carry out their day-to-day responsibilities. The control framework of a company should be designed to ensure the identification, capture, and exchange of information within the company and with external parties. The communicated information should be timely, accurate, and reliable, serving its intended purpose.
5. **Monitoring:** According to Agyemang (2020), the monitoring of internal controls involves evaluating the quality of internal control performance over time. This is essential to assess whether internal control functions as anticipated and to determine if any adjustments are required to enhance its effectiveness. Organizations can implement internal control monitoring through continuous activities such as regular supervision.

#### **2.2.4. Functions of Internal Controls**

Various authors have proposed distinct categories of internal control processes, with the most common ones categorized as preventive, investigative, and corrective controls. **Shehata (2018)** elaborates on these types of internal controls:

1. **Preventive controls:** These controls are designed to avert undesirable events before they occur. Developing preventive controls involves anticipating potential problems and implementing measures to avoid them (**DiNapoli, 2016**).
2. **Investigative controls:** Aimed at detecting problems such as fraud, irregularities, and errors after they have occurred, investigative controls serve as post-checks, exception reports, and validation. While prevention is more desirable, investigative controls, such as reviews, variance analysis, reconciliation, physical inventories, and auditing, provide evidence that preventive controls are effective in averting losses (**Ali, 2019**).
3. **Corrective controls:** These controls are implemented to address anomalies and issues within the system. Examples include system redesign, monitoring, post-audit, and management penalties for infractions (**Al-Jabbar, 2017**).

### **2.2.5. Types of internal control activities**

According to **Hayes et al (2005)** control activities (sometimes called “control measures”) are policies and procedures that help ensure that management directives are carried out. They play a crucial role in ensuring that measures are taken to address risks related to achieving the entity's objectives in operations, financial reporting, or compliance. The control activities outlined in ISPM 315 and **Basel (1998)** fall into various categories:

1. **High-Level Reviews:** Periodically submitting performance reports to the boards and senior management allows for a comprehensive review of the bank’s progress toward its goals. This helps in identifying issues such as control weaknesses, financial reporting errors, or fraudulent activity.
2. **Activity Controls:** Department or unit-level management regularly receives and reviews standard performance reports and exceptions on a daily, weekly, or monthly basis. While more detailed than high-level reviews, functional reviews occur more frequently.
3. **Physical Controls:** These controls primarily focus on limiting access to tangible assets, including cash and valuables. Measures such as physical restrictions, double custody, and periodic inventories are implemented.

4. **Compliance with Exposure Limits:** Establishing prudent risk exposure limits is a crucial aspect of risk management.
5. **Approvals and Authorizations:** Requiring approval and authorization for transactions above specific thresholds ensures that the appropriate management level is aware of the transaction, establishing accountability.
6. **Verification and Reconciliation Processes:** Verifying transaction and activity details, along with validating the results of risk management models, is a significant control activity. Periodic reconciliations, such as comparing cash flows with records and account statements, can identify activities and records requiring correction. Assigning responsibilities for delegating transactions, recording transactions, and maintaining assets to different individuals minimizes opportunities for error or fraud in their normal course of duties.

### **2.2.6. Limits of internal control**

Regardless of how well-conceived and executed, an efficient internal control system can only furnish management with reasonable, not absolute, assurance concerning the accomplishment or continuity of the entity's objectives.

**INTOSAI (2004), ISA 315 (2019) and COSO (2012)** describe the factors (among others) that will limit the effectiveness of internal control as follows:

1. The proficiency and dependability of the individuals utilizing it determine the effectiveness of an internal control system. The human factor influences the system's design, potential errors, miscalculations/interpretations, collusion, or misuse of internal controls, increasing the likelihood of errors.
2. Workflow challenges can lead to a breakdown in internal control;
3. Staff in stressful environments can circumvent normal work procedures, which is detrimental to internal control
4. In many instances, management can readily bypass internal control procedures.

### **2.3.1. Concepts of Fraud**

Fraud is a criminal and intentional illegal act committed for specific purposes, such as deceiving or presenting a misleading image to other parties. Its design is to purportedly benefit

others, whether directly or indirectly, to harm other parties and their many theorists. Introduce her. Among the most important of them: **Carmichael and Eaton (2023)**, which defines fraud as violations and illegal actions that are done intentionally for certain purposes, such as deception or misleading other parties. It is designed to achieve an honest advantage over others, directly or indirectly cause harm to other parties in another definition, Chambers **Rashid et al. (2022)** Fraud as an act or omission by shareholders, directors, employees or obligated customers with the intent to obtain an unfair or illegal advantage of the party committing the fraud or other parties. **AICPA (2021)**, however, fraud is defined as: “an intentional act that causes material misstatements in the financial statements that are subject to audit.” **GOV.UK (2019)** defines fraud as: “any act of deception that harms the interests of customers, consumers or Corporate Shareholders Finally **(IIA, 2018)** defines fraud as any illegal or illegal act or behavior characterized by fraud, deception, concealment or dishonesty, and such actions or behavior are not based on the use of the threat of violence or physical force.

Based on the provided definitions, it can be inferred that fraud involves deceptive actions conducted for personal gain and can be perpetrated by individuals in management, employees, or third parties.

### **2.3.2. Types of Fraud in Banks**

It emphasizes that fraud manifests in various shapes and forms, often involving collusion between knowledgeable individuals (employees) and external parties to execute illicit activities. While not exhaustive, the following types are among the most common forms of bank fraud:

1. **Theft and embezzlement:** This form of fraud entails the illicit acquisition of monetary items, such as cash, traveler's checks, and foreign currency. It can also include the fraudulent collection of bank assets such as cars, computers, stationery, equipment, and various types of electronic devices that are owned by the bank (**Chambers , 2021**).
2. **Misappropriation of Funds:** This encompasses the misappropriation of funds held by bankers on behalf of their clients. An instance of this is the undervaluation of customer deposits, which can occur through fraudulent transfers or the alteration of deposit receipts by either a bank teller or the customer. Collusion with the customer's agent during deposits into the customer's account and instances where cashiers pilfer bills from unsuspecting customers or clients are additional forms of bank fraud.
3. **3. Forgeries:** Forgeries involve the illicit duplication and utilization of a customer's signature to withdraw substantial sums of money from the customer's account without

obtaining their prior consent. This deceptive scheme may target various accounts, including savings accounts, deposit accounts, checking accounts, or transfer tools such as drafts. Experience has shown that most of these forgeries are committed by internal employees or external persons working in collusion with bank employees, who are often the ones who release the fake signature forms **(Oraka and Egbunike , 2016)**

4. **Informal Loans:** In some cases, bank employees borrow from safe deposit boxes and exchange money informally. These informal loans are offered in exchange for a post-dated employee check or even nothing.
5. **Bad practices in currency trading:** This encompasses the counterfeiting of currency documents and diverting officially allocated currency from the bank, originally intended to fulfill the needs and demands of customers, to the black market through the use of "fake customers" as a facade.
6. **Impersonation:** This deceptive practice entails assuming the identity of another person with the intention of engaging in fraudulent activities. Another prevalent dimension of bank fraud involves impersonating third parties to illicitly acquire new checkbooks, which are subsequently used for fraudulent purposes. Phishing cases are known to be particularly successful when carried out with fraudulent bank employees, who can easily provide sample signatures and a passport photo to unsuspecting customers **(Oraka and Egbunike , 2016)**.
7. **Coupon tampering:** This form of fraud entails the exchange or transfer of funds between accounts, often involving the use of a dummy account to perpetrate fraudulent activities. Money is typically transferred from unsuspecting bank customers to this dummy account. The withdrawn amounts are usually kept small to avoid easy detection by upper management or other unsuspecting bank employees. Voucher manipulation can thrive in a banking system riddled with inadequate checks and balances, such as weak segregation of functions and lack of detailed daily verification of vouchers and all bank records **(Ravisankar et al , 2011)**
8. **Case report falsification:** A common type of fraud is falsifying case reports and/or tampering with case reports. Typically, this is carried out with the aim of providing inaccurate recommendations and opinions to unsuspecting customers who engage with the bank's clients. For example, some customers will not award contracts to a bank customer unless their vendors can demonstrate that they can do the job and are in a strong financial position. Said fraudulent client colluded with bank employees to bolster the account in order to present themselves not only as capable, but also as people who would not escape

once contract proceeds were paid. Manipulating statistical data on customer account performance to create a deceptive impression for unsuspecting third parties.

9. **Money laundering:** This deceptive act involves legitimizing money obtained from criminal activities by keeping it in the bank for criminals or helping them transfer it to foreign banks, or by investing it in legitimate businesses (**Oraka and Egbunike , 2016**)
10. **Counterfeit payments:** This entails the cashier introducing a fraudulent check into the cash register, a maneuver executed either with or without the collaboration of bank employees or other customers. However, this type of fraud is easy to detect if the bank has a comprehensive review policy of all vouchers, cheques, withdrawal receipts and payments on a daily basis (**Oraka and Egbunike , 2016**)
11. **Computer fraud:** Encompassing fraudulent manipulation of the bank's computer, computer fraud can occur at various stages, including data collection, input processing, and data dissemination. It may result from issues such as a faulty login system, viruses, software tampering, transaction manipulation, and electronic theft. In the current era marked by extensive use of ATMs, electronic banking, and real-time online commerce, computer fraud arising from thefts and cybercrimes has assumed a highly significant dimension (**nacdl, 2023**).

### **2.3.3. Reasons for fraud**

According to **kniepmann (2020)**, there is no single cause behind fraud and any explanation for it must take into account several factors. Considering the perspective of the fraudster, it is essential to take into account:

1. Motives of possibility criminals
2. The circumstances under which people can justify their potential crimes.
3. chances of committing crimes
4. Perceived suitability for fraud objectives
5. The fraudster's technical ability
6. The anticipated and realized risks associated with detecting fraud after its commission.
7. Discovery outcome expectations (including non-punitive outcomes, eg Job loss, family stigma, forfeiture of proceeds of crime and traditional crime. Penalties)
8. The actual results of the discovery.

### 2.3.4. Fraud Terms (Fraud Triangle):

Fraud is committed when there are three basic factors represented in the existence of opportunities (opportunity), motives (pressure) and justification (justification). Finally, justification is defined as an excuse for the defrauded person to commit fraud. These factors are collectively called the fraud triangle, which is (Gohar , 2020):

1. **Incentives/Pressures:** The willingness of the organization's management or employees to commit fraud, manipulate financial statements, or steal assets as a result of their need for money. Either the transferee is in debt, or wants to improve his lifestyle, or spend it. about his pleasures.
2. **Opportunities:** The weakness of the internal control system with weak administrative supervision and other opportunities creates an opportunity to commit fraud, as the fraudulent person or employee must have the ability to manage control procedures and seize the responsibilities and powers granted to them. to commit fraud.
3. **Attitudes/Justification:** Refers to the attitudes of individuals to justify or convince themselves to accept fraud, manipulation of financial statements, or theft of assets.

### 2.3.5. Fraud prevention methods

Fraud prevention eliminates opportunities for fraud through the development and implementation of risk management (particularly fraud risk management), internal control and honest corporate governance (Priantara , 2013). According to Priantara (2013), fraud that may occur must be prevented, among other things, in the following ways:

1. **Building a good internal control structure:** With the development of the company, the management task of controlling the company's operations becomes more and more burdensome. In order to achieve the goals, set by the senior management, the security of the company's assets is ensured, so the management needs to establish a good and effective internal control structure to prevent fraud that can be implemented efficiently and effectively (Zamzami et al, 2016).
2. **Carry out monitoring activities:** Executing effective control activities involves evaluating employee performance, accurately processing information, and implementing physical controls over assets through secure facilities that restrict access. Additionally, segregating duties is valuable in assigning responsibilities to different individuals, preventing the duplication of duties and authority.

3. **Improving organizational culture:** Organizational culture is improved by implementing the principles of GCG (Good Corporate Governance) which are linked together to encourage the organization's resources - effective work performance
4. **Enhancing the Effectiveness of the Internal Audit Function:** While the internal auditor cannot assure the prevention of fraud, it is imperative for them to diligently navigate their job scope. This approach increases the likelihood of detecting fraud, enabling the internal auditor to offer valuable recommendations to management for fraud prevention.

## 2.3 Previous studies

Numerous studies have delved into the role of internal audit in fraud detection across various institutions, spanning both the private and public sectors. Some notable prior investigations include:

### 2.3.1. Studies related to internal control:

**Hamdani and Albar (2016)** examined the effectiveness of internal controls in preventing fraud within financial management at an Islamic bank in Medan, Indonesia. Using a case study approach and the COSO framework, the study collected data through observations and semi-structured interviews. Findings indicated that weaknesses in internal controls, particularly the assignment of multiple financial activities to the same officers without adequate supervision, were linked to fraudulent activities. The study noted that focusing on a single bank may limit the generalizability of the results, suggesting future research should include multiple firms to enhance applicability.

**Iyinomen and Nkechi (2016)** investigated the role of internal control in preventing and detecting fraud in the public sector, focusing on the Anambra State Government Accounts Management. The study surveyed 247 employees across departments such as Accounts, Internal Control, Monetary Unit, and Payment Office using a structured questionnaire and analyzed responses with Pearson's correlation. Results revealed that challenges, including understaffing and insufficiently qualified personnel, hinder effective fraud prevention and detection. The study emphasized the importance of robust accounting systems and internal controls to ensure accurate financial reporting and protect public assets from fraud and embezzlement.

**Kabue (2015)** explored the impact of internal controls on fraud detection and prevention in Kenya's commercial banks. Using an explanatory research design, data were collected from 43 commercial banks and analyzed with linear regression via SPSS v20. The results showed a significant negative relationship between compliance control and fraud prevention, as well as between financial governance control and fraud prevention. Conversely, budget information and control were positively associated with fraud prevention. The study recommended that banks enhance financial governance through frequent committee meetings and prioritize timely payments to mitigate the risk of new frauds.

### **3.1.2. Studies related to preventing and detecting fraud:**

**Dalwadi (2023)** examined the role of forensic accounting in preventing and detecting financial fraud in India using a descriptive, analytical, and narrative approach. The study covers financial fraud overview, prevention methods, detection techniques (including data analysis, transaction tracking, reports, whistleblowers, and internal auditing), the role of forensic accounting, and related challenges. The research emphasizes the importance of forensic accounting in maintaining the integrity of India's financial system.

**Bani Ahmad (2019)** evaluated the performance of accounting information systems (AIS) in fraud detection, with supervisory oversight as a mediator, involving 225 employees from a Jordanian bank and analyzed using PLS 3. Results indicate that supervisory oversight is crucial in linking AIS to effective fraud detection, highlighting the significance of auditing AIS and implementing strong internal controls.

### **3.1.3. Studies related to internal control in preventing and detecting fraud:**

**Luqman and Chariri (2023)** highlighted the significant role of internal auditors in preventing and detecting fraud in the public banking sector. Using questionnaires from 78 auditors and SPSS analysis, the study found that enhancing auditors' roles increases efforts in fraud prevention and detection.

**Rashid (2022)** emphasized that effective internal control systems provide reasonable assurance in achieving objectives and preventing fraud. The study, reviewing 20 international articles, underscored the importance of ethical leadership, risk assessment, and robust reporting mechanisms in commercial companies.

**Handoyo and Bayunitri (2021)** examined internal audit and control at PT Pos Indonesia (Persero), Bandung, finding that these mechanisms contributed 68.8% to fraud prevention. The study used 91 employees and SPSS analysis, noting that findings are context-specific but informative for improving fraud control.

**Adetilloy et al. (2016)** analyzed internal control's effectiveness against fraud in banks using primary and secondary data. Results highlighted the significance of technology, staff qualifications, and segregation of duties, recommending a cashless policy and qualified personnel to mitigate fraud.

**Kashona (2019)** studied the Ministry of Finance in Windhoek, revealing gaps in internal audit compliance, objectivity, independence, skills, and facilities. The study used a mixed-methods approach and recommended measures to enhance audit effectiveness in fraud detection and prevention.

**Alhassan (2018)** focused on internal controls in Nigerian deposit money banks, finding that control environment, risk assessment, and control activities influenced fraud detection and prevention. The study recommended aligning systems with IFRS standards and implementing forensic audits to ensure accountability.

**Haren (2016)** investigated internal audit's role in risk management at the Agricultural Bank in Khartoum State, showing significant effects on fraud prevention methods. The study recommended strengthening accounting standards and developing strategies to enhance the bank's capacity to combat financial fraud.

### **2.3.2 Research gap analysis**

The majority of the literature reviewed originates from countries with strategic approaches and financial structures differing from the Palestinian perspective. Several previous studies align with the current study, including Rashid J.A.'s (2022) exploration of the role of internal control in preventing and detecting fraud, Handoyo and Bayunitri's (2021) investigation on the impact of internal audit and internal control on fraud prevention, KABUE's (2015) study on the influence of internal controls on fraud detection and prevention in Kenyan commercial banks, ADETİLOYE, OLOKOYO, & TAIWO's (2016) work on fraud prevention and internal control in the Nigerian banking system, Iyinomen & Nkechi's (2016) research on the impact of internal control on fraud prevention and detection in the public sector in Nigeria, Haren's (2016) study

on the role of internal audit in risk management to reduce financial fraud in Sudanese banks (specifically the Sudanese Agricultural Bank), and Hamdani and Al-Bar's (2016) study.

It is important to note that these studies, while informative, may exhibit distinct contextual applicability due to variations in strategic approaches and financial foundations across different regions. This study deviates from Lukman & Chariri's (2023) examination of the role of internal auditors in preventing and detecting fraud in public banks, Bani Ahmed's (2019) investigation into the mediating role of internal control in the relationship between the accounting information system and fraud detection in Jordanian banks, Kashuna's (2019) exploration of the effectiveness of internal control and internal audit in detecting and preventing fraud at the Ministry of Finance in Namibia, and Al-Hassan's (2018) study on procedures for detecting fraud and internal control in deposit money banks listed on the National Stock Exchange. This divergence lies in the entities sampled, encompassing public institutions such as ministries and government banks, and the distinct academic objectives pursued. Recognizing a research gap in the Palestinian banking sector, the current study seeks to fill this void by assessing the impact of the internal control system, covering elements like the control environment, risk assessment, and control activities, among others.

Therefore, the researcher identifies a research gap in the Palestinian banking sector and aims to address this void by investigating the impact of the internal control system, including elements such as the control environment, risk assessment, control activities, and more.

## **Chapter Three**

### **Research Methodology**

#### **3.1 Introduction**

This chapter details the research methodology employed in the thesis. It encompasses the research questions, design, and approach, along with the research audience, study sample, selected sample, study tool, data collection methods, and data analysis techniques. Additionally, it includes interview questions formulated based on a comprehensive review of the relevant literature on the topic.

#### **3.2 Research Method**

To answer the research questions and collect the necessary data for analysis in this study, the descriptive analytical approach was used. This approach was chosen to comprehensively address the study objectives. Data was collected from a variety of sources, and a comparative analysis was conducted to determine the most accurate and reliable information.

#### **3.3 Research Strategy**

To address the research questions, the researcher adopted a descriptive analytical approach, focusing on commercial banks operating in Palestine as a research strategy for distributing the questionnaire. This approach was chosen to effectively achieve the study's objectives.

#### **3.4 Data Source and Data Allocation Method**

##### **3.4.1 Firstly, Secondary Data:**

The researcher began collecting data from a variety of sources, including books, research papers, articles, conference proceedings, published journals, reports, previous research on the same subject, and websites. This comprehensive data collection process aimed to thoroughly address the research questions. The findings and data gathered from these sources are presented in the second chapter of this study.

### 3.4.2 Secondly, Primary Data:

The researcher employed a questionnaire to gather primary data from Palestinian commercial banks. This questionnaire was meticulously designed to collect data by posing structured questions directly related to the research terms. The aim was to obtain information essential for achieving the research objectives.

### 3.5 Study Population

The study population included all employees in (11) commercial banks operating in Palestine, where the number of employees reached (5,655). Table 3 shows the commercial banks operating in Palestine.

Table (3-1) commercial banks operating in Palestine. (Palestinian Banks Association, 2024)

Name of Company	Number of Employee
Bank of Palestine (BOP)	1,799
Arab Bank	1435
Cairo Amman Bank	218
Palestinian Investment Bank (PIBC)	234
Al-Quds Bank (QUDS)	467
National Bank	543
Housing Bank for Trade and Finance	123
Bank of Jordan	233
Ahli Jordan Bank	134
Egyptian Arab Land Bank	67
Independence Bank for Investment and Development (government bank)	32
<b>Total</b>	<b>5,655</b>

### 3.6 The Sample

The study population was approximately 5,655 employees in 11 commercial banks operating in Palestine. The sample size was 250 employees. A total of 206 questionnaires were retrieved, resulting in a recovery rate of 82.4%. These questionnaires were selected using a random sampling technique, specifically the simple random sampling method, as shown in table 3.2, which displays the total number of questionnaires distributed to banks and the number of questionnaires recovered from the bank.

Table (3.2) The response rate of banks to fill out the questionnaire

Name of bank	Number of questionnaires distributed	Number of questionnaires returned
--------------	--------------------------------------	-----------------------------------

<b>Bank of Palestine (BOP)</b>	<b>25</b>	<b>21</b>
<b>Arab Bank</b>	<b>25</b>	<b>23</b>
<b>Cairo Amman Bank</b>	<b>25</b>	<b>22</b>
<b>Palestinian Investment Bank (PIBC)</b>	<b>25</b>	<b>18</b>
<b>Al-Quds Bank (QUDS)</b>	<b>25</b>	<b>24</b>
<b>National Bank</b>	<b>25</b>	<b>22</b>
<b>Housing Bank for Trade and Finance</b>	<b>25</b>	<b>18</b>
<b>Bank of Jordan</b>	<b>25</b>	<b>20</b>
<b>Ahli Jordan Bank</b>	<b>25</b>	<b>20</b>
<b>Egyptian Arab Land Bank</b>	<b>25</b>	<b>18</b>
<b>Independence Bank for Investment and Development (government bank)</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>250</b>	<b>206</b>

### 3.7 Study Instrument

Throughout the study, the researcher utilized quantitative tools, including surveys for collecting quantitative data. To gather data from the sample, the researcher developed a questionnaire as the primary tool for the study. This questionnaire comprised 57 statements divided into six sections. Evaluation was conducted using a five-point Likert scale, as illustrated in Table 3.3.

### 3.8 Correction Style:

Some of the results generated by the Likert scale method were utilized, and the following distribution was employed in correcting the questionnaire items:

<b>Very high</b>	<b>High</b>	<b>Moderate</b>	<b>Low</b>	<b>Very low</b>
<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>

Table (3.3): Correction Key

<b>Mean</b>	<b>Degree</b>
<b>4.21-5</b>	<b>Very High</b>
<b>3.41-4.20</b>	<b>High</b>
<b>2.61-3.40</b>	<b>Moderate</b>
<b>1.81-2.60</b>	<b>low</b>
<b>1-1.80</b>	<b>Very low</b>

The researcher utilizes this scale because it is the most suitable and provides the best response to the questionnaire data.

### 3.9 Survey Description

The survey serves as the primary measurement tool for the current study, designed specifically to measure the study variables and their dimensions. This was accomplished following a thorough review of theoretical literature and previous studies related to the study topics, its key variables, objectives, fields, and applications. The survey tool comprises three main sections:

1. **The first section:** This section encompasses five variables describing the demographic characteristics of individuals within the study population, including (gender, age, educational qualification, years of experience, and job title).

2. **The second section:** This section includes five areas representing the dimensions of the independent worker (internal control), structured as follows:
- The first field: It encompasses the first independent variable (control environment) and is assessed through ten objective statements numbered (1-10).
  - The second field: It covers the second independent variable (risk assessment) and is evaluated via eight objective statements numbered (11-18).
  - The third field: It pertains to the third independent variable (Control Activities) and is measured using nine objective statements numbered (19-27).
  - The fourth field: It addresses the fourth independent variable (information and communication) and is assessed through ten objective statements numbered (28-37).
  - The fifth field: It involves the fifth independent variable (Monitoring) and is evaluated via eight objective statements numbered (38-45).
3. **The third section:** This section consists of a single field representing the dependent variable (fraud prevention and detection), which is measured using twelve objective statements numbered (46-57)

### 3.10 Survey Validity:

The validity of the survey was examined using two methods:

1. Contextual Validity: The survey was presented to 4 academic supervisors and experts in the study's field, and they confirmed that the survey is valid and suitable for achieving the study's objectives. (Appendix 1)
2. Structural Validity: The validity of the structure was examined by measuring the Pearson correlation between each section of the survey and its overall score. The results showed that all correlations were statistically significant with P values less than  $\alpha=0.05$ . This indicates a high internal consistency between the statements in the survey and the tool to measure the intended purpose. This is evident in the table below (3.4)

Table (3.4): Pearson correlations between the sections of the questionnaire and the overall score of the questionnaire.

Section's Number	Section's Title	Pearson correlation	Sig
5	Control Environment	.762**	.000
3	Risk Assessment	.814**	.000
4	Control Activities	.809**	.000
2	Information and Communication	.836**	.000

6	Monitoring	.736**	.000
1	Fraud prevention and detection	.934**	.000

### 3.11 Reliability of the Questionnaire:

The reliability of the questionnaire was examined through the test of internal consistency and calculating the coefficient alpha (Cronbach's alpha) for each section and for the entire questionnaire. The reliability coefficient for the entire questionnaire is (.893), which is a good reliability coefficient for research purposes. The table below shows that the reliability coefficients for all sections are acceptable, meeting the study's objectives.

Table (3.5): Reliability Coefficients for Questionnaire Sections

Section's Number	Section's Title	Reliability coefficient	Number of paragraphs
5	Control Environment	.781	10
3	Risk Assessment	.789	8
4	Control Activities	.656	9
2	Information and Communication	.711	10
6	Monitoring	.702	8
1	Fraud prevention and detection	.783	12
	<b>Total Questionnaire</b>	<b>.893</b>	<b>57</b>

### 3.12 Questionnaire Management:

The researcher administered the questionnaire and determined the sample and the number of copies to be distributed. The researcher personally distributed the questionnaire to all managers after communicating and sending emails to the commercial banks. Some questionnaires were delivered in person due to the difficulty of access due to the security situation, while the rest were distributed and explained to the participants to provide additional information. In addition, the researcher offered commercial banks two options for collecting the questionnaire: either mail it in or come pick it up several days later. This takes two weeks or more for some banks, with multiple reminders sent. Despite these efforts, the researcher conducted a pre-distribution screening of the instrument. Through a small sample.

Furthermore, the concept was validated using SPSS. More than 250 questionnaires were distributed to all managers in February 2024.

### 3.13 Model Specification

The statistical model of the study can be specified as follows:

$$PDF \text{ (Dependent Variable)} = \beta_0 + \beta_1(CE) + \beta_2(RA) + \beta_3(CA) + \beta_4(IC) + \beta_5(MA) + \varepsilon$$

Where:

- **PDF (Prevention and Detection of Fraud):** Dependent variable.
- **$\beta_0$ :** Intercept, representing the value of the dependent variable when all independent variables are zero.
- **$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ :** Coefficients associated with each independent variable, reflecting the strength and direction of their effect on the dependent variable.
- **CE (Control Environment), RA (Risk Assessment), CA (Control Activities), IC (Information and Communication), MA (Monitoring Activities):** Independent variables representing the components of internal control.
- **$\varepsilon$ :** Error term, capturing unexplained variability in the dependent variable not accounted for by the independent variables.

This model illustrates the hypothesized influence of internal control components on fraud prevention and detection in banks operating in Palestine. Estimating the coefficients ( $\beta$  values) through statistical analysis allows the study to measure the magnitude and significance of these relationships.

### 3.14 Data Coding Process:

The initial data collected by the researcher was coded using SPSS. Data was input, and specific codes were assigned to each piece of information to facilitate the coding process on the program sheet. Additionally, dependent and independent variables were defined by giving each variable a specific code, making it easy to identify the relationship between them through appropriate statistical tests to reach valuable results and indicators that support the study's topic.

### 3.15 Data Analysis:

The obtained data was analyzed using SPSS (Statistical Package for the Social Sciences) for quantitative data, and the results were presented using tables and graphs in Chapter 4 in a detailed manner. Meanwhile, qualitative data was analyzed using various techniques such as the rating scale.

**3.16 Statistical Analysis:**

Data analysis was conducted using the Statistical Package for the Social Sciences (SPSS) version 26. Several statistical tests were utilized, including:

1. Means, standard deviations, and percentages.
2. Cronbach's alpha test.
3. Pearson correlation test.
4. Independent samples t-test to measure the gender variable.
5. Analysis of Variance (ANOVA) test to examine differences in age, educational qualification, job title, years of service, and the sector in which the company operates.
6. Multiple linear regression analysis to measure the statistical impact between study variables.

## **Chapter Four**

### **Results**

#### **4.1 Introduction**

This chapter provides a description of the study population and addresses the description of the study tool, the procedures followed in implementation, and the statistical analyses used in result analysis.

#### **4.2 Sample Characteristics:**

##### **4.2.1 Gender**

The results regarding the distribution of the sample based on gender show that the number of males in the study is 136, which represents 66% of the total sample, while the number of females is 70, which represents 34% of the total sample. These results can be explained from several aspects, such as the demographic composition of workers in commercial banks in Palestine, or it may reflect the gender distribution in these banks, in addition to cultural or social factors that affect the employment of men and women in the banking sector and the difference in views between males and females about the effectiveness of internal control systems. Therefore, a sub-analysis may be needed to understand whether there are statistically significant differences between genders regarding the effectiveness of internal control in preventing and detecting fraud.

##### **4.2.2 Age**

The results of the age distribution in our study on the impact of internal control on fraud prevention and detection in commercial banks operating in Palestine indicate a diversity in ages among the studied sample. It is observed that individuals under the age of 25 constitute the largest proportion in the sample at 37.4%, indicating strong representation of this age group in the study. Additionally, there is a balanced distribution among other age categories, where individuals aged between 25 and less than 35 years represent 20.9%, while those aged between 35 and less than 45 years represent 25.2%, and individuals aged 45 years or older represent 16.5%. This distribution reflects diversity in experiences, perspectives, and needs among different age groups, thus requiring a multifaceted strategy for analyzing the results to enhance internal control in commercial banks, taking into account the needs and orientations of different age groups.

### **4.2.3 Academic Qualifications**

The results of the sample distribution based on academic qualifications in our study on the impact of internal control system on fraud prevention and detection in commercial banks operating in Palestine indicate a wide diversity in educational levels among the studied sample. It is observed that individuals holding a bachelor's degree constitute the largest proportion in the sample at 48.1%, indicating strong representation of this qualification in the study. Additionally, the distribution shows significant proportions of individuals holding master's and doctoral degrees, representing 35.9% and 15.5% respectively. This diversity in educational levels reflects variations in experiences and knowledge among participants in the study, necessitating a detailed analysis to understand how these educational levels impact the effectiveness of internal control in preventing and detecting fraud in commercial banks. It is important to consider these differences in developing policies and procedures to enhance internal control, tailored to the needs and orientations of individuals with different educational backgrounds.

### **4.2.4 Years of Experience**

The findings from years of experience in our study on the impact of internal control on fraud prevention and detection in commercial banks operating in Palestine reveal remarkable insights. The distribution indicates a variety of experience levels among participants. Specifically, individuals with less than 5 years of experience make up a relatively smaller proportion of the sample at 12.6%, while those with 5 to 10 years of experience represent a larger proportion at 38.8%. Furthermore, individuals with more than 10 years of experience make up the largest percentage at 48.5%. This breakdown highlights the diverse experience and tenure within the banking sector workforce. He notes that individuals with longer tenures may possess deeper insights into internal control mechanisms and fraud detection due to their accumulated experience, while those with shorter tenures may bring new perspectives and adaptability to the field.

### **4.2.5 Job Titles**

The distribution of job titles in our study on the impact of internal control on fraud prevention and detection in commercial banks operating in Palestine provides valuable insights into roles and responsibilities within the banking sector. The data reveal a diverse representation of job titles among participants. Administrative roles, including director and department head, represent a large proportion of the sample at 10.7% and 10.7%, respectively. Furthermore, positions such as assistant manager, accountant, internal auditor, and credit officer collectively

contribute to a large proportion of the sample, ranging from 15.0% to 15.5% each. Although customer service agents and treasurers make up a smaller proportion of the sample at 11.2% and 9.2%, respectively, they still play critical roles in banking operations. This distribution underscores the multifaceted nature of internal control mechanisms, as different stakeholders contribute to fraud prevention and detection efforts from different perspectives within the organizational structure.

Table (4.1): Sample characteristics

<b>Gender</b>		
	<b>Frequency</b>	<b>Percent</b>
Male	136	66.0
Feminine	70	34.0
<b>Total</b>	<b>206</b>	<b>100.0</b>
<b>Age (Years)</b>		
	<b>Frequency</b>	<b>Percent</b>
Less than 25 years	77	37.4
From 25 to less than 35 years old	43	20.9
From 35 to less than 45 years old	52	25.2
From 45 or more	34	16.5
<b>Total</b>	<b>206</b>	<b>100.0</b>
<b>Academic Qualifications</b>		
	<b>Frequency</b>	<b>Percent</b>
Diploma	1	.5
Bachelor's	99	48.1
Master's	74	35.9
Ph.D.	32	15.5
<b>Total</b>	<b>206</b>	<b>100.0</b>
<b>Years of Experience</b>		
	<b>Frequency</b>	<b>Percent</b>
Less than 5 years	26	12.6
From 5 - 10 years	80	38.8
More than 10 years	100	48.5
<b>Total</b>	<b>206</b>	<b>100.0</b>
<b>Job title</b>		
	<b>Frequency</b>	<b>Percent</b>
Manger	22	10.7
Manager assistant	32	15.5
Accountant	31	15.0
Head of Department	22	10.7
Internal Auditor	31	15.0
Customer Service Agent	23	11.2
Credit officer	26	12.6
Treasurer	19	9.2
<b>Total</b>	<b>206</b>	<b>100.0</b>

### 4.3 Study Results:

#### **The first research question addressed: What is the level of implementation of internal control to prevent and detect fraud in commercial banks operating in Palestine?**

The results demonstrate high effectiveness in various aspects of internal control in preventing and detecting fraud within commercial banks operating in Palestine. Firstly, control activities emerge as the most effective aspect, with the highest average among the variables at (4.0008). Following closely in effectiveness are control environment and information and communication aspects, with averages approximately (3.9875) and (3.9886) respectively. In fourth place are fraud prevention and detection aspects with an average of (3.9892), followed by risk assessment aspects with an average of (3.9863), and finally, monitoring aspect with a slightly lower average of (3.9490). This strong ranking reflects the efforts put into implementing and executing internal control procedures, contributing to enhancing trust and stability within commercial banks and reducing potential fraud risks. Specifically, control environment, risk assessment, control activities, information and communication, monitoring procedures, and fraud prevention and detection mechanisms exhibit tangible high levels of effectiveness, with average scores ranging from (3.9863) to (3.9892) and standard deviations ranging from (.26414) to (.37393).

These results indicate that the internal control systems implemented in commercial banks operating in Palestine are generally strong and effective in preventing and detecting fraud. However, it is necessary to interpret these results within the study's limitations and consider potential areas for improvement or further investigation to continuously enhance internal control practices and remain vigilant against fraudulent activities. This is evident in the table below (4.2).

Table (4.2): The level of application of internal control to prevent and detect fraud in commercial banks operating in Palestine

Internal Control System Dimensions	Mean	Std. Deviation	Level
Control Environment	3.9875	.32001	High
Risk Assessment	3.9863	.35189	High
Control Activities	4.0008	.35641	High
Information and Communication	3.9886	.34048	High
Monitoring	3.9490	.35446	High
Prevent and detect fraud	3.9892	.37393	High
Total	3.9836	.26414	High

This study found that Commercial banks operating in Palestine demonstrate a high level of internal control application, significantly impacting fraud prevention and detection. The results confirmed the model's effectiveness in internal control through various dimensions, including

the control environment, risk assessment, control activities, information, communication, and follow-up. These findings support previous research, such as that by Luqman and Chariri (2023), Rashid (2022), and Handoyo and Bayunitri (2021), which also highlighted the substantial role of internal auditors in fraud prevention and detection. This suggests that enhancing auditor roles can lead to better fraud mitigation efforts, a conclusion widely observed in commercial companies.

#### 4.4 Internal control analysis

Analyzing the dimensions of internal control in preventing and detecting fraud in Palestinian commercial banks through:

##### 4.4.1 Control environment

**Addressing first research question, which was: What is the impact of the control environment in preventing and detecting fraud in Palestinian Commercial Banks?**

Table (4.3 ): Level of application of the Control environment

	Paragraph	Mean	Std. Deviation	level
1.	We have a strict, independent quality management committee that oversees the effective implementation of internal control.	3.95	.684	High
2.	Carefully assess the bank's function management of the level of demands and requirements needed to work at the bank.	3.96	.723	High
3.	We have a solid organizational structure that supports the achievement of the bank's objectives.	3.91	.682	High
4.	We have a guide to how to operate a transformer	3.96	.709	High
5.	We have innovative HR, necessity and diversity policies within the bank.	4.00	.729	High
6.	There is a clear system of powers and officials, including the bank's objectives.	4.10	.722	High
7.	There is appropriate communication and interaction between senior management and various bank departments for the purpose of communication and coordination to improve performance in effective performance.	3.97	.669	High

8.	The bank has a highly competent, effective and independent board of directors capable of achieving an informed strategy.	4.03	.703	High
9.	We have a collaborative system that contributes to increasing integrity and values within the animal bank.	4.01	.676	High
10.	When evaluating performance, the bank takes into account the extent of its commitment to the standards of ethical behavior specified by it.	4.00	.688	High
Control environment		3.9875	.32001	High

Through the previous table related to the regulatory environment dimension, paragraph (6) obtained the highest average score (4.10) with a degree of (high), and the paragraph stated (There is a clear system of powers and officials, including the bank's objectives.) These results indicate that the bank has a strict and clear system for defining powers and defining responsibilities within the institution, and the presence of a clear system means having a specific framework for granting powers and distributing responsibilities among various departments and employees. In addition, alignment with the Bank's objectives indicates that this clear system is aligned with the Bank's objectives and priorities, helping to achieve institutional objectives more efficiently and effectively.

On the contrary, paragraph (3) received the lowest average score (3.91) with a degree of (high), and the paragraph stated: (We have a solid organizational structure that supports the achievement of the bank's objectives.) This sentence indicates the importance of having a strong organizational structure. And Mateen inside the bank. This means that the bank needs a solid internal structure that contributes to achieving its objectives effectively. This organizational structure can include a clear distribution of responsibilities and powers, and provides a framework that facilitates communication and cooperation between different departments, and ensures the effective implementation of policies and procedures. This solid structure helps the bank achieve its objectives in a way More effective and organized, and enhances trust between customers and partners in the bank.

In general, the evaluation obtained an average score of (3.9875) and a score of (high) for the control environment, which indicates a high level of implementation in various aspects within the bank. This high level of implementation indicates the presence of distinguished efforts in applying and implementing policies and procedures within the bank. The presence of a clear system of powers and officials, in addition to a solid organizational structure, demonstrates the

bank's commitment to achieving efficiency and transparency in its operations, and this high level of implementation contributes to enhancing effectiveness and organization within the bank, which ultimately leads to achieving the bank's objectives effectively and reliably, and thus enhancing customer confidence. And partners in the bank.

#### 4.4.2 Risk assessment

Addressing the Second research question, which was: What is the impact of the Risk assessment in preventing and detecting fraud in Palestinian commercial banks?

Table (4.4 ): Level of application of the Risk assessment

	Paragraph	Mean	Std. Deviation	level
1.	A careful risk analysis and detailed study is carried out to determine how to effectively manage them.	4.01	.726	High
2.	The management seeks to work with complete transparency, as it discloses all possible risks that threaten the bank's ability to achieve its goals.	3.93	.695	High
3.	Management works to identify and evaluate organizational, economic and operational changes that could significantly affect internal control.	4.03	.694	High
4.	Key risks associated with each key objective are identified at the business center level, allowing effective focus on achieving objectives and reducing risks.	4.00	.679	High
5.	The bank clearly defines its objectives, which enables it to identify and evaluate the risks related to those objectives.	3.97	.700	High
6.	The administration is working on evaluating the risk management strategy in accordance with the decisions of the Basel Committee and identifying deficiencies and areas of necessary development, which helps improve risk management methods in accordance with international standards.	4.00	.666	High
7.	Effective mechanisms are developed to identify risks arising from internal and external sources.	4.01	.712	High

8.	The administration is reviewing information technology risks, including information security and cybersecurity risks, to mitigate these risks.	3.93	.674	High
	Risk assessment	3.9863	.35189	High

Through the following table related to risk assessment, we found that the highest arithmetic average was (4.03) and was for Paragraph No. (3), which stated (Management works to identify and evaluate organizational, economic and operational changes that could significantly affect internal control) and to a (high) degree, This result indicates that management at the bank pays great attention to analyzing and evaluating the changes occurring in the regulatory, economic and operational environment, which may significantly affect the internal control system, and this focus on risk assessment reflects a keen interest in understanding the potential challenges and opportunities that the bank may face. This allows management to take the necessary measures to strengthen and improve the internal control system to ensure compliance and effective control of operations.

On the contrary, we found that the lowest arithmetic mean was (3.93) and was for paragraph No. (8), which stipulates (the administration reviews information technology risks, including information and cyber security risks, to mitigate these risks). To a (high) degree, this result indicates the bank's IT risk and information security review process has some gaps or areas that can be improved. This could be the result of several possible factors such as a lack of resources or IT expertise, or insufficient security measures in place. Therefore, there could be a need to improve and enhance the IT and information security risk review and management process to ensure that risks are reduced and critical data and information are better protected. As for the general average of the risk assessment dimension, the arithmetic mean reached (3.9863), and with a (high) degree, this general average indicates that the risk assessment process in the bank is generally carried out in an effective and organized manner, as the high degree of the assessment represents a strong response to potential challenges and risks. This general average reflects the bank's commitment to providing the best risk management practices and seeking to enhance its ability to deal with future challenges effectively.

#### 4.4.3 Control Activities

Addressing Third research question, which was: What is the impact of Control Activities in preventing and detecting fraud in Palestinian commercial banks?

Table (4.5 ): Level of application of the Control Activities

	Paragraph	Mean	Std. Deviation	level
1.	There are control activities that contribute to reducing risks to acceptable levels that could threaten the achievement of goals.	4.08	.711	High
2.	The bank works to select and develop general control activities on information technology and subject them to corporate governance rules with the aim of supporting the process of achieving goals.	3.95	.668	High
3.	There are clear policies for employing oversight activities and procedures to implement these policies.	3.97	.722	High
4.	The administration periodically reviews its oversight activities and makes the necessary updates.	3.96	.657	High
5.	An effective financial statement is followed to ensure that financial operations and activities are conducted efficiently.	4.00	.655	High
6.	Policies and procedures are established to separate conflicting tasks.	4.05	.717	High
7.	There are physical controls to protect and integrity of assets, and moral controls to ensure the correctness and accuracy of registration, posting, and completeness of documents.	4.00	.659	High
8.	Policies and procedures are in place to ensure that actual performance is reviewed against the plan, with other banks, or against historical comparison of the bank's performance.	4.03	.698	High
9.	Policies and procedures are in place to ensure adherence to administrative directives.	3.97	.690	High
	Control Activities	4.0008	.35641	High

Analysis of control activities revealed noteworthy results. Paragraph 1 appeared with the highest average score (4.08), with a degree of (high), The paragraph stipulates (There are control activities that contribute to reducing risks to acceptable levels that could threaten the achievement of goals.) which indicates the existence of a strong system of monitoring activities that aim to mitigate risks to acceptable levels, which is crucial to maintaining the achievement of goals. The results also indicate the existence of an effective system of monitoring activities within the organization. This system aims to reduce risks to acceptable levels, which is critical to ensuring that organizational objectives continue to be achieved efficiently and effectively. Considering that internal control plays a crucial role in protecting the organization from risks and maintaining the smooth running of its operations, the presence of a strong control system contributes to enhancing confidence in management and ensuring continuity of business success.

On the contrary, Paragraph 2 received the lowest average (3.95), with a degree of (high) The paragraph stipulates (The bank works to select and develop general control activities on information technology and subject them to corporate governance rules with the aim of supporting the process of achieving goals.) The results indicate improved alignment of general control activities with corporate governance rules, highlighting their importance in enhancing the processes of achieving institutional goals. The harmony between these activities and the principles of corporate governance contributes to enhancing transparency and accountability within the organization, which enhances confidence among shareholders and investors and contributes to the sustainable success of the business. Therefore, improving this alignment is vital to ensure that goals are achieved effectively and reliably in light of the challenges and variables facing companies in the contemporary business environment.

In general, the collective evaluation of control activities obtained a commendable average score of (4.0008), with a score of (high). These results demonstrate the bank's commitment to maintaining effective policies, procedures and controls to protect its operations and assets. This indicates the serious efforts made by the bank to ensure the safety and security of financial operations and its adherence to administrative directives. This commitment reflects awareness of the importance of applying high standards to maintain integrity and ensure that institutional goals are achieved in a transparent and responsible manner. Adherence to effective policies and procedures is central to building customer and business partner confidence and ensuring successful business continuity in an evolving and ever-changing business environment.

#### 4.4.4 Information and contact

Addressing Fourth research question, which was: What is the impact of the Information and Communication in preventing and detecting fraud in Palestinian commercial banks?

Table (4.6 ): Level of application of the Information and Communication

	Paragraph	Mean	Std. Deviation	level
1.	We have advanced information systems that produce, provide and use relevant and quality information that supports the functional role of internal control.	4.04	.708	High
2.	Management seeks to provide the required information to enable all employees to understand and implement internal control responsibilities.	4.00	.682	High
3.	We have separate communication channels and confidential hotlines for whistleblowers	3.85	.715	High
4.	Effective mechanisms are in place to process and follow up on communications from external parties.	4.02	.731	High
5.	We have a system that allows employees to communicate information about any violation or breach through effective means of communication.	4.00	.702	High
6.	Mechanisms are developed to obtain specific information about the external environment.	3.91	.695	High
7.	A system is implemented to provide managers with the information needed to make informed and effective decisions.	3.99	.693	High
8.	Information on the internal environment is identified and necessary reports are submitted to highlight and improve internal performance.	4.02	.673	High
9.	An approach is implemented to present information in an efficient and efficient manner to ensure easy and transparent understanding.	4.03	.696	High
10.	A strategic plan is being developed to develop information systems that allows for adaptation to technological developments and meeting the bank's needs.	4.01	.684	High

	Information and Communication	3.9886	.34048	High
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Evaluation of information and communication mechanisms within the organization has yielded useful results. Paragraph 1 appeared with the highest average score (4.04), and with a (high) degree, and the paragraph stated (We have advanced information systems that produce, provide and use relevant and quality information that supports the functional role of internal control.) this conclusion demonstrates the importance of having advanced information systems in the bank, as these systems provide relevant and high-quality data. This good quality data is essential to effectively support internal control functions. They help provide the necessary data to conduct accurate risk analyzes and provide the necessary information to make strategic and tactical decisions. Therefore, these systems can contribute to enhancing the effectiveness of internal control and enhancing the bank's ability to address challenges and risks effectively and effectively.

On the contrary, Paragraph 3 received the lowest average score (3.85), with a score of (high). and the paragraph stated (We have separate communication channels and confidential hotlines for whistleblowers), The results indicate the importance of enhancing the provision of separate communication channels and confidential hotlines for whistleblowers in the bank. This measure is vital to enhancing the culture of transparency and accountability within the institution. By providing these channels, employees and relevant members are able to report any violations or inappropriate behavior in a safe and protected manner. In doing so, employees are encouraged to contribute to achieving transparency and integrity within the bank, which contributes to building a more responsible and confident work environment.

In general, the collective evaluation of information and communication mechanisms obtained a commendable average score of (3.9886), with a score of (high). The results indicate the organization's commitment to facilitating strong communication channels and ensuring the availability of relevant information to support informed decision-making processes. Through this commitment, the organization works to provide a reliable internal and external communications infrastructure, including formal channels and confidential lines of communication, and leaders and managers can access important information easily and timely, enabling them to make informed and effective decisions. In doing so, the Effectiveness of operational processes and enhancing the ability to adapt to emerging challenges and opportunities, which enhances the overall success of the organization.

#### 4.4.5 Monitoring

Addressing Fifth research question, which was: What is the impact of the monitoring in preventing and detecting fraud in Palestinian Commercial Banks?

Table (4.7 ): Level of application of the Monitoring

	<b>Paragraph</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>level</b>
1.	Management develops and implements ongoing evaluations of the effectiveness of internal control elements and components.	3.92	.676	High
2.	The scope and frequency of assessments depend on the risks to which the bank is exposed.	3.91	.664	High
3.	Internal control components are continuously evaluated, which contributes to improving them and adapting them to shifts in the work environment.	3.96	.681	High
4.	A separate assessment is conducted for each component of internal control, allowing the identification of areas that need improvement and strengthening.	4.04	.728	High
5.	The scope and frequency of assessments depend on the risks to which the bank is exposed.	3.93	.677	High
6.	The assessment process is continuously adjusted to be consistent with the current risk level, ensuring that internal control remains updated according to developments.	3.99	.684	High
7.	Internal control systems are evaluated using experienced experts, which contributes to obtaining a comprehensive and reliable assessment of their effectiveness.	3.96	.688	High
8.	The bank's management reports deficiencies in internal control to the Board of Directors in order to take the necessary corrective measures.	3.89	.704	High
	<b>Monitoring</b>	<b>3.9490</b>	<b>.35446</b>	<b>High</b>

Evaluation of Monitoring procedures within the organization revealed noteworthy insights. Paragraph 4 appeared with the highest average score (4.04), with a degree of (high).

The paragraph stated (A separate assessment is conducted for each component of internal control, allowing the identification of areas that need improvement and strengthening.) This indicates that the organization follows a precise approach in Conduct separate evaluations for each element of internal control. Through this approach, each part of the system is individually analyzed and evaluated, allowing to identify areas that need to be strengthened and developed. Thanks to this careful analysis, the organization can strengthen the overall control framework and improve its efficiency and effectiveness in addressing risks and better achieving its goals.

On the contrary, Paragraph 8 obtained the lowest average score (3.89), with a score of (high). The paragraph stipulated (The bank's management reports deficiencies in internal control to the Board of Directors in order to take the necessary corrective measures.) This indicates The need to improve the processes of immediate reporting of any aspects that may be ineffective in internal control, in order to enable the Board of Directors to take the necessary corrective measures quickly and effectively. Through prompt reporting, an organization can correct any challenges it may encounter in its internal systems and continuously enhance the effectiveness of monitoring processes.

In general, the collective evaluation of Monitoring mechanisms received a commendable average rating of (3.9490), with a score of (high), which indicates the organization's commitment to continuous evaluations and adjustments to ensure the effectiveness of internal control systems and their adaptability in response to emerging risks and operational environments. This indicates the organization's commitment to evaluation processes. Continuing the effectiveness of its internal control systems, with the aim of ensuring that they are able to adapt to changing challenges and risks in operational environments. By conducting continuous assessments and making the necessary adjustments, the organization enhances its ability to adapt and respond effectively to new challenges and ensure the continuity of internal control processes in an appropriate and effective manner.

#### **4.5 preventing and detecting fraud**

Addressed the Sixth research question, which was: What is the impact of preventing and detecting fraud on the protection of Palestinian Commercial Banks?

Table (4.8): The level of fraud prevention and detection on the protection of Palestinian commercial banks

	<b>Paragraph</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>level</b>
1.	Internal policies and procedures are being strengthened and improved to ensure tight control over fraudulent activities.	3.95	.668	High
2.	Verification procedures are being developed and enhanced to confirm the identity of customers.	3.97	.722	High
3.	Electronic security systems are examined and improved to protect information from electronic fraud over the Internet.	3.96	.657	High
4.	Continuous training is provided to employees on the latest fraud techniques and how to recognize them to prevent and detect fraud.	4.00	.655	High
5.	Graphic analysis techniques are adopted to detect abnormal or suspicious patterns in financial transactions.	4.05	.717	High
6.	Artificial intelligence solutions are used to analyze data faster and more accurately	3.95	.668	High
7.	A periodic audit is organized by the internal control teams to ensure compliance and detect any illegal actions.	3.97	.722	High
8.	Effective internal reporting methods are adopted to quickly report any suspicious activity within the bank.	3.96	.657	High
9.	Cooperation with the competent security authorities is being strengthened to exchange information and expertise in the field of fraud prevention and detection.	4.00	.655	High
10.	Encourages a culture of responsibility and integrity within the bank	4.05	.717	High
11.	Major international auditing companies are contracted to review internal control systems and financial statements.	3.98	.696	High

12.	There are specialized employees who analyze the various risks that the bank faces, which could lead to fraudulent acts.	4.03	.720	High
<b>Preventing and Detecting Fraud</b>		<b>3.9892</b>	<b>.37393</b>	<b>High</b>

An evaluation of measures to prevent and detect fraud within an organization highlights several important practices. It is worth noting that paragraph 5 received the highest average score (4.05), with a score of (high). The paragraph stated (Graphic analysis techniques are adopted to detect abnormal or suspicious patterns in financial transactions). The results indicate that the bank uses graphic analysis techniques in its operations, which reflects its commitment by innovating and using modern technology to improve its operations, and by analyzing data with graphical techniques, an organization can discover unusual or suspicious patterns in financial transactions, enabling it to take the necessary measures to better analyze and understand them, thus reducing the risks of fraud or illegal activities.

On the contrary, Paragraph 1 received a slightly lower average (3.95), with a score of (high). The paragraph stated (Internal policies and procedures are being strengthened and improved to ensure tight control over fraudulent activities.) The results indicate that the organization pays continuous attention to strengthening Its internal policies and procedures aim to enhance control over fraudulent activities. By improving policies and procedures, the organization seeks to strengthen its internal control system and ensure that it is able to effectively detect and prevent illegal activities. By tightening control, the organization reduces opportunities for fraud and maintains the integrity of its overall financial and operational operations.

Overall, the collective evaluation of fraud prevention and detection strategies resulted in a commendable average score of (3.9892), with a score of (high). The results indicate that by adopting artificial intelligence solutions, the organization can enhance the ability to analyze data effectively and efficiently, which helps it discover fraud patterns. And illegal actions faster and more accurately. In addition, cooperation with security authorities reflects the organization's commitment to cooperate with relevant authorities to exchange information and expertise in the field of combating financial crimes and fraud.

#### **4.6 Hypotheses Testing**

##### **First Main hypothesis:**

- **Ha: There is a statistically significant correlation between the effectiveness of the internal control system and its various aspects (control environment, risk**

**assessment, control activities, information and communication, and Monitoring) in preventing and detecting fraud within commercial banks operating in Palestine.**

**4.6.1 Pearson correlation test**

To assess the initial primary hypothesis, which asserts that there is statistically significant correlation between the effectiveness of internal control system and its various facets (control environment, risk assessment, control activities, information and communication, Monitoring) in preventing and detecting fraud within commercial banks operating in Palestine, and to examine the connections between the variables under investigation, we will administer a Pearson correlation analysis, as indicated in Table (4.9)

Table (4.9) Pearson correlation test on the impact of internal control on fraud prevention and detection in commercial banks operating in Palestine

<b>The dependent variable is fraud prevention and detection</b>		
Control Environment	Pearson Correlation	.331**
	Sig. (2-tailed)	.000
	N	206
Risk Assessment	Pearson Correlation	.498**
	Sig. (2-tailed)	.000
	N	206
Control Activities	Pearson Correlation	.873**
	Sig. (2-tailed)	.000
	N	206
Information and Communication	Pearson Correlation	.484**
	Sig. (2-tailed)	.000
	N	206
Monitoring	Pearson Correlation	.403**
	Sig. (2-tailed)	.000
	N	206

The table displays the results of the Pearson correlation analysis, which examines the relationship between the impact of the internal control dimensions (control environment, risk assessment, control activities, information and communication, monitoring) and fraud prevention and detection in commercial banks operating in Palestine. Each correlation coefficient represents the strength and direction of the relationship between the internal control

dimension The analysis highlights the importance of the various internal control dimensions in enhancing fraud prevention and detection efforts within commercial banks operating in Palestine. Higher correlations indicate stronger relationships between these dimensions and the effectiveness of fraud prevention and detection. Here are the explanations:

1. **Control environment:** The correlation coefficient of (0.331) indicates that there is a somewhat positive relationship between the control environment and fraud prevention and detection. This suggests that as the quality and effectiveness of the control environment improves, the effectiveness of fraud prevention and detection efforts tends to increase.
2. **Risk Assessment:** With a correlation coefficient of (0.498) there is a fairly strong positive relationship between risk assessment and fraud prevention and detection. This means that comprehensive and accurate risk assessments are associated with better fraud prevention and detection results.
3. **Control Activities:** The correlation coefficient of (0.873) indicates a strong positive relationship between oversight activities and fraud prevention and detection. This indicates that strong oversight mechanisms contribute significantly to the effectiveness of fraud prevention and detection efforts.
4. **Information and Communication:** With a correlation coefficient of (0.484) there is a fairly strong positive relationship between information and communication and fraud prevention and detection. This means that effective communication channels and access to relevant information play a crucial role in fraud prevention and detection.
5. **Monitoring:** The correlation coefficient is (0.403) indicating that there is a somewhat positive relationship between monitoring procedures and fraud prevention and detection. This indicates that consistent and comprehensive follow-ups contribute to the effectiveness of fraud prevention and detection efforts.

#### 4.6.2 regression test

##### Second Main hypothesis:

- **Hb: There is a statistically significant effect of the application of internal control and its various aspects (control environment, risk assessment, control activities, information and communications, monitoring) in preventing and detecting fraud within the bank.**

To verify the second hypothesis, and to confirm the existence of a statistically significant effect of applying internal control and its various aspects (control environment, risk assessment, control activities, information and communication, follow-up) in preventing and detecting fraud within the bank. For commercial banks operating in Palestine, A simple linear regression analysis was used for commercial banks operating in Palestine. The goal was to verify the existence of a correlation between the level of internal control implementation in preventing and detecting fraud within the company. **A number of sub-hypotheses branch out from this main hypothesis, as follows:**

1. **The first sub-hypothesis: There is a statistically significant effect of applying the control environment in preventing and detecting fraud in commercial banks operating in Palestine.**

To test this hypothesis, a simple linear regression analysis test will be used, and the results confirm the suitability of the model with a 95% confidence interval. It is noted that there is a statistically significant relationship indicating that the control environment affects the detection of fraud within commercial banks operating in Palestine.

Table (4.10 ): Model Summary between control environment in preventing and detecting fraud

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.331 <sup>a</sup>	.110	.105	.35371

The results of the model analysis showed that there is a statistically significant relationship between the control environment and the prevention and detection of fraud in Palestinian commercial banks, where the correlation value (R) of (%31.1) indicates a strong relationship between the #control environment and the effectiveness of efforts to prevent and detect fraud. The explanatory ratio (R Square) shows that (%11) of the variance in fraud prevention and detection can be attributed to the control environment. After adjustment, the adjusted explanatory ratio (adjusted R-square) shows a value of (%10.5). Moreover, the standard error

of the estimate reflects the accuracy of the predictions in Related to fraud prevention and detection, lower values indicate increased prediction accuracy using the control environment

Table (4.11 ): ANOVAa between control environment in preventing and detecting fraud

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.141	1	3.141	25.102	.000 <sup>b</sup>
	Residual	25.523	204	.125		
	Total	28.664	205			
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.447	.309		7.924	.000
	control environment	.387	.077	.331	5.010	.000

ANOVA analysis of the model demonstrates notable disparities between the control environment and fraud prevention and detection. The F value (**25.102**) signifies a substantial distinction between the variables, while the probability value (Sig.) of .000b confirms significant differences between the two entities. These findings allow us to dismiss the hypothesis positing no noteworthy differences between the dimensions of the control environment and fraud prevention and detection within commercial banks in Palestine. Additionally, the outcomes of a direct linear regression examination on a specific model elucidate the influence of the independent variable (control environment) on the dependent variable (Prevention and Detection of Fraud). The significance value (“Sig.”) for “control environment” stands at .000, indicating a statistically significant impact on fraud detection. This is further supported by the beta coefficient of 0.331 for “control environment,” underscoring its considerable effect on fraud detection.

From the researcher's perspective, these findings underscore the significance of the control environment in endeavors aimed at preventing and detecting fraud within commercial banks in Palestine. They highlight the substantial and pivotal role that the control environment plays in shaping the efficacy of fraud prevention and detection initiatives. This result was similar to the study of Iyinomen and Nkechi (2016), whose research examined the role of internal control in preventing and detecting fraud in the public sector. Although not focused on commercial banks, the results may provide insight into the importance of the control environment in fraud prevention efforts.

2. **The second sub-hypothesis: There is a statistically significant effect of applying the risk Assessment in preventing and detecting fraud in commercial banks operating in Palestine.**

To test this hypothesis, a simple linear regression analysis test will be used, and the results confirm the suitability of the model with a 95% confidence interval. It is noted that there is a statistically significant relationship indicating that the risk Assessment affects the detection of fraud within commercial banks operating in Palestine.

Table (4.12): Model Summary between Risk Assessment in preventing and detecting fraud

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498 <sup>a</sup>	.248	.244	.32502

The results of the model analysis showed that there is a statistically significant relationship between the Risk Assessment and the prevention and detection of fraud in Palestinian commercial banks, where the correlation value (R) of (%49.8) indicates a strong relationship between the Risk Assessment and the effectiveness of efforts to prevent and detect fraud. The explanatory ratio (R Square) shows that (%24.8) of the variance in fraud prevention and detection can be attributed to the Risk Assessment. After adjustment, the adjusted explanatory ratio (adjusted R-square) shows a value of (%24.4). Moreover, the standard error of the estimate reflects the accuracy of the predictions in Related to fraud prevention and detection, lower values indicate increased prediction accuracy using the Risk Assessment

Table (4.13 ): ANOVA<sup>a</sup> and Coefficients between Risk Assessment in preventing and detecting fraud

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.113	1	7.113	67.332	.000 <sup>b</sup>
	Residual	21.551	204	.106		
	<b>Total</b>	<b>28.664</b>	<b>205</b>			
Coefficients <sup>a</sup>						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.879	.258		7.279	.000
	Risk Assessment	.529	.065	.498	8.206	.000

ANOVA analysis of the model demonstrates notable disparities between Risk Assessment and fraud prevention and detection. The F value (**67.332**) signifies a substantial distinction between the variables, while the probability value (Sig.) of .000b confirms significant

differences between the two entities. These findings allow us to dismiss the hypothesis positing no noteworthy differences between the dimensions of the Risk Assessment and fraud prevention and detection within commercial banks in Palestine. Additionally, the outcomes of a direct linear regression examination on a specific model elucidate the influence of the independent variable (Risk Assessment) on the dependent variable (Prevention and Detection of Fraud). The significance value (“Sig.”) for “Risk Assessment” stands at .000, indicating a statistically significant impact on fraud detection. This is further supported by the beta coefficient of (.529) for “Risk Assessment,” underscoring its considerable effect on fraud detection.

Viewed from the researcher's standpoint, these findings emphasize the significance of giving priority to risk assessment and allocating resources strategically to bolster risk management practices within commercial banks. This approach enables banks to fortify their defenses against potential fraudulent activities and safeguard the interests of their stakeholders more effectively. Based on previous studies, it is clear that many findings are consistent with the importance of prioritizing risk assessment and allocating resources to enhance risk management practices within commercial banks. For example, Hamdani and Albar's (2016) study highlighted the relationship between weaknesses in internal controls and instances of fraud within financial management. Similarly, Enomen and Nkechi (2016) emphasized the challenges faced by the public sector in fraud prevention and detection due to inadequate internal controls.

**3. The third sub-hypothesis: There is a statistically significant effect of applying control activities in preventing and detecting fraud in commercial banks operating in Palestine.**

To test this hypothesis, a simple linear regression analysis test will be used, and the results confirm the suitability of the model with a 95% confidence interval. It is noted that there is a statistically significant relationship indicating that the control activities affect the detection of fraud within commercial banks operating in Palestine.

Table (4.14 ): Model Summary between Control Activities in preventing and detecting fraud

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873 <sup>a</sup>	.762	.761	.18273

The results of the model analysis showed that there is a statistically significant relationship between the control activities and the prevention and detection of fraud in Palestinian commercial banks, where the correlation value (R) of (%87.3) indicates a strong relationship

between control activities and the effectiveness of efforts to prevent and detect fraud. The explanatory ratio (R Square) shows that (%76.2) of the variance in fraud prevention and detection can be attributed to the control activities. After adjustment, the adjusted explanatory ratio (adjusted R-square) shows a value of (%76.1). Moreover, the standard error of the estimate reflects the accuracy of the predictions in Related to fraud prevention and detection, lower values indicate increased prediction accuracy using the control activities.

Table (4.15 ): ANOVA<sup>a</sup> and Coefficients between control activities in preventing and detecting fraud

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.852	1	21.852	654.441	.000 <sup>b</sup>
	Residual	6.812	204	.033		
	<b>Total</b>	<b>28.664</b>	<b>205</b>			
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.324	.144		2.255	.025
	Control Activities	.916	.036	.873	25.582	.000

ANOVA analysis of the model demonstrates notable disparities between the control activities and fraud prevention and detection. The F value (654.441) signifies a substantial distinction between the variables, while the probability value (Sig.) of .000b confirms significant differences between the two entities. These findings allow us to dismiss the hypothesis positing no noteworthy differences between the dimensions of the control activities and fraud prevention and detection within commercial banks in Palestine. Additionally, the outcomes of a direct linear regression examination on a specific model elucidate the influence of the independent variable (control activities) on the dependent variable (Prevention and Detection of Fraud). The significance value (“Sig.”) for “control activities” stands at .000, indicating a statistically significant impact on fraud detection. This is further supported by the beta coefficient of (0.916) for “control activities” underscoring its considerable effect on fraud detection.

From the researcher’s point of view, these results confirm the crucial role of control activities in effectively mitigating fraud risks within commercial banks, which highlights the importance of strong control measures in protecting against fraudulent activities. The results of this study are consistent with previous research, which reinforces the importance of oversight activities in combating fraudulent activities within commercial banks. Lokman and Shariri (2023)

researched, and their study showed a significant impact of internal auditors in preventing and detecting fraud, which confirms the importance of enhancing their role in mitigating the effects of fraud more effectively. Rashid (2022) also emphasized the vital role of internal control systems in preventing fraud across commercial companies. Collectively, these studies reinforce the critical role of monitoring activities in protecting against fraudulent activities within banking institutions.

**4. The fourth sub-hypothesis: There is a statistically significant effect of applying Information and Communication in preventing and detecting fraud in commercial banks operating in Palestine.**

To test this hypothesis, a simple linear regression analysis test will be used, and the results confirm the suitability of the model with a 95% confidence interval. It is noted that there is a statistically significant relationship indicating that the control environment affects the detection of fraud within commercial banks operating in Palestine.

Table (4.16 ): Model summary between information and communication in preventing and detecting fraud

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.484 <sup>a</sup>	.234	.230	.32804

The results of the model analysis showed that there is a statistically significant relationship between the Information and Communication and the prevention and detection of fraud in Palestinian commercial banks, where the correlation value (R) of (%48.4) indicates a strong relationship between the Information and Communication and the effectiveness of efforts to prevent and detect fraud. The explanatory ratio (R Square) shows that (%23.4) of the variance in fraud prevention and detection can be attributed to the Information and Communication. After adjustment, the adjusted explanatory ratio (adjusted R-square) shows a value of (%23). Moreover, the standard error of the estimate reflects the accuracy of the predictions in Related to fraud prevention and detection, lower values indicate increased prediction accuracy using Information and Communication

Table (4.17 ): ANOVA<sup>a</sup> and coefficients between information and communication in preventing and detecting fraud

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.711	1	6.711	62.366	.000 <sup>b</sup>
	Residual	21.952	204	.108		
	<b>Total</b>	<b>28.664</b>	<b>205</b>			
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.

		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
1	(Constant)	1.870	.269		6.941	.000
	Information and Communication	.531	.067	.484	7.897	.000

ANOVA analysis of the model demonstrates notable disparities between the Information and Communication and fraud prevention and detection. The F value (**62.366**) signifies a substantial distinction between the variables, while the probability value (Sig.) of .000b confirms significant differences between the two entities. These findings allow us to dismiss the hypothesis positing no noteworthy differences between the dimensions of the Information and Communication and fraud prevention and detection within commercial banks in Palestine. Additionally, the outcomes of a direct linear regression examination on a specific model elucidate the influence of the independent variable (Information and Communication) on the dependent variable (Prevention and Detection of Fraud). The significance value (“Sig.”) for “Information and Communication” stands at .000, indicating a statistically significant impact on fraud detection. This is further supported by the beta coefficient of (0.531) for “Information and Communication,” underscoring its considerable effect on fraud detection.

From the researcher’s point of view, these results highlight the major role of information and communications in preventing and detecting fraud within commercial banks in Palestine. These results emphasize the importance of strong information and communications systems in effectively addressing and mitigating the risks of fraud within commercial banks. These findings are consistent with previous research, such as the study by Adetilloy et al. (2016), who emphasized the importance of maintaining effective communication channels and using information technology to enhance fraud prevention efforts. In addition, the study by Iyinomen and Nkechi (2016) also focused on the role of internal control, including information systems, in preventing and detecting fraud in the public sector. Their findings highlighted the challenges faced by inadequate information systems in effectively preventing and detecting fraudulent activities.

**5. The fifth sub-hypothesis: There is a statistically significant effect of applying the Monitoring in preventing and detecting fraud in commercial banks operating in Palestine.**

To test this hypothesis, a simple linear regression analysis test will be used, and the results confirm the suitability of the model with a 95% confidence interval. It is noted that there is a statistically significant relationship indicating that the Monitoring affects the detection of fraud within commercial banks operating in Palestine.

Table (4.18 ): Model Summary between Monitoring in preventing and detecting fraud

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.403 <sup>a</sup>	.162	.158	.34309

The results of the model analysis showed that there is a statistically significant relationship between the monitoring and the prevention and detection of fraud in Palestinian commercial banks, where the correlation value (R) of (%40.3) indicates a strong relationship between the #control environment and the effectiveness of efforts to prevent and detect fraud. The explanatory ratio (R Square) shows that (%16.2) of the variance in fraud prevention and detection can be attributed to the monitoring. After adjustment, the adjusted explanatory ratio (adjusted R-square) shows a value of (%15.8). Moreover, the standard error of the estimate reflects the accuracy of the predictions in Related to fraud prevention and detection, lower values indicate increased prediction accuracy using the monitoring

Table (4.19 ): ANOVA<sup>a</sup> and coefficients between monitoring in preventing and detecting fraud

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.651	1	4.651	39.511	.000 <sup>b</sup>
	Residual	24.013	204	.118		
	<b>Total</b>	<b>28.664</b>	<b>205</b>			
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.311	.268		8.623	.000
	Monitoring	.425	.068	.403	6.286	.000

ANOVA analysis of the model demonstrates notable disparities between the monitoring and fraud prevention and detection. The F value (39.511) signifies a substantial distinction between the variables, while the probability value (Sig.) of .000<sup>b</sup> confirms significant differences between the two entities. These findings allow us to dismiss the hypothesis positing no noteworthy differences between the dimensions of the monitoring and fraud prevention and detection within commercial banks in Palestine. Additionally, the outcomes of a direct linear regression examination on a specific model elucidate the influence of the independent variable (control environment) on the dependent variable (Prevention and Detection of Fraud). The significance value (“Sig.”) for “monitoring” stands at .000, indicating a statistically significant impact on fraud detection. This is further supported by the beta coefficient of 0.425 for “monitoring,” underscoring its considerable effect on fraud detection.

The researcher explains this result to the crucial role of effective monitoring activities in preventing and detecting fraud within commercial banks in Palestine This finding is consistent with previous studies that highlighted the importance of strong monitoring mechanisms in

mitigating the risks associated with fraudulent activities. For example, the study conducted by Lokman and Shariri (2023) emphasized the importance of regular monitoring activities carried out by internal auditors in identifying and addressing potential fraudulent behavior. Likewise, Handoyo and Bayunitri (2021) their study revealed that effective monitoring, as part of internal control measures, contributed significantly to fraud prevention efforts within an organization.

## Chapter Five

### Summary and Recommendations

#### 5.1 Findings

The study results reveal that the internal control mechanisms designed to prevent and detect fraud in commercial banks operating in Palestine are quite effective, with an average score of (3.9892), reflecting a high degree of effectiveness. This indicates that Palestinian commercial banks are serious about fraud prevention and detection. It is crucial for these banks to continuously strengthen their internal control systems to effectively address future challenges. This can be achieved through adopting the latest technologies, providing ongoing training to employees, regularly updating policies and procedures, and conducting frequent internal audits. These steps will help in identifying weaknesses and reinforcing preventive measures, ensuring that banks are well-equipped to handle potential fraud attempts. In terms of specific control aspects, the study found that the control environment and information and communication both scored highly, with averages of (3.9875) and (3.9886), respectively. This highlights the importance of a strong control environment and effective communication channels. The board's general position, awareness, and actions significantly impact the effectiveness of the internal control system. Additionally, having effective information and communication channels is crucial for making informed decisions and detecting fraud.

Control activities were identified as the most effective aspect of internal control, with the highest average score of (4.0008). This suggests that the procedures and processes implemented to ensure management directives are the most reliable components in the framework for preventing and detecting fraud. The high score reflects the strong implementation of these activities, which effectively mitigates fraud risks. Risk assessment also demonstrated a high degree of effectiveness, with an average score of (3.9863). This indicates that banks are focused on identifying and evaluating risks that could hinder their goals. A robust risk assessment process is essential for proactive fraud management, allowing banks to anticipate and mitigate risks before they occur. The monitoring aspect, although slightly lower with an average score of (3.9490), still reflects a significant level of effectiveness. Continuous monitoring ensures that internal controls are functioning as intended and can be adjusted as necessary to respond to changing conditions. The slightly lower score suggests there may be challenges in consistently maintaining this process at optimal levels, indicating a need for increased attention to enhance its effectiveness.

Overall, the fraud prevention and detection field scored an average of (3.9892), indicating effective measures with room for improvement. While the measures are relatively effective, continuous enhancement is necessary to keep up with evolving fraud techniques. The study also found a statistically significant relationship between the effectiveness of internal control and its various dimensions (control environment, risk assessment, control activities, information and communication, monitoring) in preventing and detecting fraud. This underscores the importance of strengthening internal control across all aspects to improve fraud prevention and detection efforts.

## **5.2 Conclusion**

In conclusion, the study underscores the generally high effectiveness of internal control system mechanisms in Palestinian commercial banks for preventing and detecting fraud. The various dimensions of internal control—control environment, risk assessment, control activities, information and communication, and monitoring—each play a crucial role in enhancing fraud management practices. Although current measures are effective, there is a continuous need for improvement to address the evolving nature of fraud risks and maintain a robust control framework. The statistically significant impacts of these control dimensions highlight their importance in strengthening fraud prevention and detection within the banking sector. By focusing on these areas, banks can better protect themselves against fraud and ensure a more secure banking environment.

## **5.3. Recommendations:**

Based on the results extracted from previous findings on the impact of internal control on preventing and detecting fraud in Palestinian banks, the researcher recommends several basic measures, including:

1. Banks should adopt the latest technologies, provide continuous training to employees, and periodically update policies and procedures to effectively address the changing and increasing threats in the banking environment.
2. Enhancing the control environment is advised to ensure effective governance, and improving information and communication channels is recommended to facilitate timely decision-making and fraud detection.
3. Banks should prioritize the implementation of processes and procedures to ensure the reliable execution of management directives.
4. Focus on identifying and evaluating risks to proactively manage fraud risks, allowing anticipation of potential threats and effective mitigation.

5. Giving more attention to monitoring activities ensures optimal functioning of internal controls and prompt response to changing conditions.
6. Strengthen internal control across its different dimensions, including the control environment, risk assessment, control activities, information and communication, and monitoring, to enhance efforts in preventing and detecting fraud and promote a safer banking environment.
7. Enhance internal control measures across different dimensions to improve effectiveness in preventing and detecting fraudulent activities within the banking sector in Palestine.
8. Strengthen the regulatory environment to create a more conducive environment for preventing and detecting fraud within commercial banks operating in Palestine.
9. Enhance risk assessment processes to better identify and mitigate fraud risks within commercial banks operating in Palestine.
10. Strengthen supervisory activities to provide better oversight and control over banking operations, contributing to the prevention and detection of fraud within commercial banks in Palestine.
11. Improve information and communication systems to facilitate better coordination and dissemination of relevant information for fraud prevention and detection within commercial banks operating in Palestine.

#### **5.4 Suggested researches**

Based on the previous recommendations, we have proposed a number of future studies, the most important of which are:

1. The role of advanced technology in enhancing internal control to detect and prevent fraud in Palestinian banks
2. The effectiveness of training employees on internal control and fraud prevention in the banking sector
3. The impact of the control environment on internal control, governance and fraud detection in banks
4. Risk assessment as a proactive measure for internal control to manage fraud risks in the banking sector

#### **5.5 Study Limitations and Constraints:**

During any survey research, researchers may encounter various obstacles and limitations that hinder them from obtaining valuable information through the use of a questionnaire as a survey tool. These limitations and obstacles can be evident in the distribution and return of the

questionnaire, leading to bias, non-response, and inaccuracy, all of which impact the study results. These limitations and obstacles include:

1. Banks not allowing the researcher to distribute the questionnaire.
2. Some managers refusing to participate and fill out the questionnaire.
3. Leaving some questions unanswered.
4. Delays and prolonged time in completing the questionnaire, with some taking up to 3 weeks.
5. Loss of follow-up for questionnaires and the loss of several questionnaire copies at companies.
6. Communication and contact difficulties with the researcher.
7. Changes in the company's address and contact method without updating them on its website.

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## Appendices

### Appendix No. (1): Names of the arbitrators

Faculty member	Academic specialization	University
Dr. Zahran Daraghme	Accounting	Arab American University
Dr. Ghassan Daas	Accounting	An-Najah National University
Dr. Fadi Abu Diak	Islamic finance	Palestine Technical University - Kadoorie
Dr. Muhammad Abu Sharba	Islamic finance	Arab American University

**Appendix No. (2): Questionnaire**



**Arab American University  
Faculty of Graduate Studies  
Major in accounting and auditing**

**Questionnaire**

**My employee brother, my employee sister...**

**After Greetings ,**

The researcher is conducting a study entitled: **“The Impact of Internal Control System on Preventing and Detecting Fraud in Commercial Banks Operating in Palestine,”** in fulfillment of the requirements for obtaining a Master’s degree in (Accounting and Auditing) from the Arab American University.

The researcher is pleased to place in your hands the attached questionnaire, asking you to kindly answer all of its paragraphs accurately and carefully, by placing an (X) in the box of the option that expresses your point of view. Note that your answer will be treated with complete confidentiality, and this information will only be used for scientific research purposes only.

With many thanks and gratitude for your kind cooperation

**Student: Hiba Ghannam**

## Part One: Personal and Professional Information

Please place an (x) in the box next to the answer that best represents your situation:

Category	Options
<b>Gender</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Age</b>	<input type="checkbox"/> Under 25 years <input type="checkbox"/> 25 to less than 35 years
	<input type="checkbox"/> 35 to less than 45 years <input type="checkbox"/> 45 years and above
<b>Educational Qualification</b>	<input type="checkbox"/> Diploma <input type="checkbox"/> Bachelor's <input type="checkbox"/> Master's <input type="checkbox"/> Doctorate
<b>Years of Experience</b>	<input type="checkbox"/> Less than 5 years <input type="checkbox"/> 5 to less than 10 years
	<input type="checkbox"/> 10 to less than 15 years <input type="checkbox"/> 15 to less than 20 years
	<input type="checkbox"/> 20 years and above
<b>Job Title</b>	<input type="checkbox"/> Manager <input type="checkbox"/> Administrative Assistant
	<input type="checkbox"/> Accountant <input type="checkbox"/> Department Head
	<input type="checkbox"/> Internal Auditor <input type="checkbox"/> Customer Service Officer
	<input type="checkbox"/> Credit Officer <input type="checkbox"/> Cashier
	<input type="checkbox"/> Other, specify: _____

## Part Two: Questionnaire paragraphs

This questionnaire consists of a number of main axes that represent the dimensions of internal control, and each axis consists of a number of paragraphs. Please answer all the paragraphs of the questionnaire by placing a cross (x) in the box that represents what is your reality, noting that the answer scale consists of five points .

### The first axis: internal control

no	Paragraph	very high	high	Medium	low	Very low
<b>The first element: control environment</b>						
1.	We have a strict, independent quality management committee that oversees the effective implementation of internal control.					
2.	Carefully assess the bank's function management of the level of demands and requirements needed to work at the bank.					
3.	We have a solid organizational structure that supports the achievement of the bank's objectives.					
4.	We have a guide to how to operate a transformer					
5.	We have innovative HR, necessity and diversity policies within the bank.					
6.	There is a clear system of powers and officials, including the bank's objectives.					
7.	There is appropriate communication and interaction between senior management and various bank departments for the purpose of communication and coordination to improve performance in effective performance.					
8.	The bank has a highly competent, effective and independent board of directors capable of achieving an informed strategy.					
9.	We have a collaborative system that contributes to increasing integrity and values within the animal bank.					
10.	When evaluating performance, the bank takes into account the extent of its commitment to the standards of ethical behavior specified by it.					
<b>The second element: risk assessment</b>						
11.	A careful risk analysis and detailed study is carried out to determine how to effectively manage them.					
12.	The management seeks to work with complete transparency, as it discloses all possible risks that threaten the bank's ability to achieve its goals.					

13.	Management works to identify and evaluate organizational, economic and operational changes that could significantly affect internal control.					
14.	Key risks associated with each key objective are identified at the business center level, allowing effective focus on achieving objectives and reducing risks.					
15.	The bank clearly defines its objectives, which enables it to identify and evaluate the risks related to those objectives.					
16.	The administration is working on evaluating the risk management strategy in accordance with the decisions of the Basel Committee and identifying deficiencies and areas of necessary development, which helps improve risk management methods in accordance with international standards.					
17.	Effective mechanisms are developed to identify risks arising from internal and external sources.					
18.	The administration is reviewing information technology risks, including information security and cybersecurity risks, to mitigate these risks.					
<b>The third element: oversight activities</b>						
19.	There are control activities that contribute to reducing risks to acceptable levels that could threaten the achievement of goals.					
20.	The bank works to select and develop general control activities on information technology and subject them to corporate governance rules with the aim of supporting the process of achieving goals.					
21.	There are clear policies for employing oversight activities and procedures to implement these policies.					
22.	The administration periodically reviews its oversight activities and makes the necessary updates.					
23.	An effective financial statement is followed to ensure that financial operations and activities are conducted efficiently.					
24.	Policies and procedures are established to separate conflicting tasks.					
25.	There are physical controls to protect and integrity of assets, and moral controls to ensure the correctness and accuracy of registration, posting, and completeness of documents.					
26.	Policies and procedures are in place to ensure that actual performance is reviewed against the plan, with other banks, or against historical comparison of the bank's performance.					
27.	Policies and procedures are in place to ensure adherence to administrative directives.					
<b>Fourth element: information and communication</b>						
28.	We have advanced information systems that produce, provide and use relevant and quality information that supports the functional role of internal control.					
29.	Management seeks to provide the required information to enable all employees to understand and implement internal control responsibilities.					

30.	We have separate communication channels and confidential hotlines for whistleblowers					
31.	Effective mechanisms are in place to process and follow up on communications from external parties.					
32.	We have a system that allows employees to communicate information about any violation or breach through effective means of communication.					
33.	Mechanisms are developed to obtain specific information about the external environment.					
34.	A system is implemented to provide managers with the information needed to make informed and effective decisions.					
35.	Information on the internal environment is identified and necessary reports are submitted to highlight and improve internal performance.					
36.	An approach is implemented to present information in an efficient and efficient manner to ensure easy and transparent understanding.					
37.	A strategic plan is being developed to develop information systems that allows for adaptation to technological developments and meeting the bank's needs.					
<b>The fifth element: follow-up</b>						
38.	Management develops and implements ongoing evaluations of the effectiveness of internal control elements and components.					
39.	The scope and frequency of assessments depend on the risks to which the bank is exposed.					
40.	Internal control components are continuously evaluated, which contributes to improving them and adapting them to shifts in the work environment.					
41.	A separate assessment is conducted for each component of internal control, allowing the identification of areas that need improvement and strengthening.					
42.	The scope and frequency of assessments depend on the risks to which the bank is exposed.					
43.	The assessment process is continuously adjusted to be consistent with the current risk level, ensuring that internal control remains updated according to developments.					
44.	Internal control systems are evaluated using experienced experts, which contributes to obtaining a comprehensive and reliable assessment of their effectiveness.					
45.	The bank's management reports deficiencies in internal control to the Board of Directors in order to take the necessary corrective measures.					
<b>The second axis: preventing and detecting fraud</b>						
46.	Internal policies and procedures are being strengthened and improved to ensure tight control over fraudulent activities.					
47.	Verification procedures are being developed and enhanced to confirm the identity of customers.					
48.	Electronic security systems are examined and improved to protect information from electronic fraud over the Internet.					

49.	Continuous training is provided to employees on the latest fraud techniques and how to recognize them to prevent and detect fraud.					
50.	Graphic analysis techniques are adopted to detect abnormal or suspicious patterns in financial transactions.					
51.	Artificial intelligence solutions are used to analyze data faster and more accurately					
52.	A periodic audit is organized by the internal control teams to ensure compliance and detect any illegal actions.					
53.	Effective internal reporting methods are adopted to quickly report any suspicious activity within the bank.					
54.	Cooperation with the competent security authorities is being strengthened to exchange information and expertise in the field of fraud prevention and detection.					
55.	Encourages a culture of responsibility and integrity within the bank					
56.	Major international auditing companies are contracted to review internal control systems and financial statements.					
57.	There are specialized employees who analyze the various risks that the bank faces, which could lead to fraudulent acts.					

### Appendix No. (3): Arabic questionnaire



الجامعة العربية الأمريكية  
كلية الدراسات العليا  
تخصص المحاسبة والتدقيق

### الاستبيان

الأخ الموظف / الأخت الموظفة ... بعد التحية،

يقوم الباحث بإجراء دراسة بعنوان: **أثر نظام الرقابة الداخلية في منع واكتشاف الاحتيال في البنوك التجارية العاملة في فلسطين** "وذلك استكمالاً لمتطلبات الحصول على درجة الماجستير في تخصص (المحاسبة والتدقيق) من الجامعة العربية الأمريكية. يسر الباحث أن يضع بين أيديكم هذا الاستبيان، راجياً منكم التكرم بالإجابة على جميع فقراته بدقة وموضوعية، وذلك من خلال وضع إشارة (✓) في المربع الذي يعبر عن وجهة نظرکم. علماً بأن إجاباتکم ستعامل بسرية تامة ولن تستخدم إلا لأغراض البحث العلمي فقط.

مع جزيل الشكر والتقدير لحسن تعاونکم.

الطالبة: هبة غنام

الجزء الأول: المعلومات الشخصية والمهنية

يرجى وضع إشارة (✓) بجانب الخيار الذي ينطبق على وضعكم:

الفئة	الخيارات
الجنس	<input type="checkbox"/> ذكر <input type="checkbox"/> أنثى
العمر	<input type="checkbox"/> أقل من 25 سنة <input type="checkbox"/> من 25 إلى أقل من 35 سنة <input type="checkbox"/> من 35 إلى أقل من 45 سنة <input type="checkbox"/> 45 سنة فأكثر
المؤهل العلمي	<input type="checkbox"/> دبلوم <input type="checkbox"/> بكالوريوس <input type="checkbox"/> ماجستير <input type="checkbox"/> دكتوراه
سنوات الخبرة	<input type="checkbox"/> أقل من 5 سنوات <input type="checkbox"/> من 5 إلى أقل من 10 سنوات <input type="checkbox"/> من 10 إلى أقل من 15 سنة <input type="checkbox"/> من 15 إلى أقل من 20 سنة <input type="checkbox"/> 20 سنة فأكثر
المسمى الوظيفي	<input type="checkbox"/> مدير <input type="checkbox"/> مساعد إداري <input type="checkbox"/> محاسب <input type="checkbox"/> رئيس قسم <input type="checkbox"/> مدقق داخلي <input type="checkbox"/> موظف خدمة عملاء <input type="checkbox"/> موظف انتمان <input type="checkbox"/> صرّاف <input type="checkbox"/> أخرى، حدد: _____

## الجزء الثاني: فقرات الاستبيان

يتكون هذا الاستبيان من مجموعة محاور رئيسية تمثل أبعاد الرقابة الداخلية، ويحتوي كل محور على عدد من الفقرات. يرجى الإجابة على جميع الفقرات من خلال وضع إشارة (✓) في المربع الذي يعبر عن واقع الحال، علماً أن مقياس الإجابة يتكون من خمس درجات (من منخفض جداً إلى مرتفع جداً)

المحور الأول: الرقابة الداخلية						
العنصر الأول: بيئة الرقابة						
الرقم	الفقرة	مرتفع جداً	مرتفع	متوسط	منخفض	منخفض جداً
1	لدينا لجنة مستقلة وصارمة لإدارة الجودة تشرف على التطبيق الفعال للرقابة الداخلية.					
2	تقوم إدارة البنك بتقييم مستوى المتطلبات والمهام اللازمة للعمل بعناية.					
3	لدينا هيكل تنظيمي متين يدعم تحقيق أهداف البنك.					
4	لدينا دليل واضح للإجراءات التشغيلية.					
5	لدينا سياسات مبتكرة للموارد البشرية تراعي الحاجة والتنوع داخل البنك.					
6	يوجد نظام واضح للصلاحيات والمسؤوليات يتماشى مع أهداف البنك.					
7	يوجد تواصل وتفاعل مناسب بين الإدارة العليا والأقسام المختلفة لتحسين الأداء والتنسيق.					
8	يمتلك البنك مجلس إدارة كفؤاً، مستقلاً وفعالاً قادراً على وضع استراتيجية واعية.					
9	لدينا نظام تعاوني يساهم في تعزيز النزاهة والقيم داخل البنك.					
10	عند تقييم الأداء، يأخذ البنك في الاعتبار الالتزام بمعايير السلوك الأخلاقي.					
العنصر الثاني: تقييم المخاطر						
الرقم	الفقرة	مرتفع جداً	مرتفع	متوسط	منخفض	منخفض جداً
11	يتم إجراء تحليل دقيق ودراسة تفصيلية للمخاطر لتحديد كيفية إدارتها بفعالية.					
12	تسعى الإدارة للعمل بشفافية من خلال الإفصاح عن جميع المخاطر المحتملة.					
13	تعمل الإدارة على تحديد وتقييم التغيرات التنظيمية والاقتصادية والتشغيلية المؤثرة على الرقابة الداخلية.					

					يتم تحديد المخاطر الرئيسية المرتبطة بكل هدف أساسي على مستوى مركز الأعمال.	14
					يحدد البنك أهدافه بوضوح مما يمكنه من تقييم المخاطر المرتبطة بها.	15
					تعمل الإدارة على تقييم استراتيجية إدارة المخاطر وفقاً لقرارات لجنة بازل.	16
					يتم تطوير آليات فعالة لتحديد المخاطر الداخلية والخارجية.	17
					تراجع الإدارة مخاطر تكنولوجيا المعلومات، بما في ذلك الأمن السيبراني.	18
<b>العنصر الثالث: أنشطة الرقابة</b>						
الرقم	الفقرة	مرتفع جداً	مرتفع	متوسط	منخفض	منخفض جداً
19	توجد أنشطة رقابية تساهم في تقليل المخاطر لمستويات مقبولة.					
20	يعمل البنك على اختيار وتطوير أنشطة الرقابة العامة على تقنية المعلومات.					
21	توجد سياسات واضحة لتطبيق أنشطة الرقابة وإجراءات تنفيذها.					
22	تراجع الإدارة أنشطة الرقابة بشكل دوري وتجري التحديثات اللازمة.					
23	يُتبع نظام بيانات مالية فعال لضمان كفاءة العمليات.					
24	تُحدد سياسات وإجراءات لفصل المهام المتعارضة.					
25	توجد ضوابط مادية لحماية الأصول وضوابط أخلاقية لضمان دقة المستندات.					
26	توجد سياسات لمراجعة الأداء الفعلي مقارنة بالخطة أو بالبنوك الأخرى أو بالأداء التاريخي.					
27	توجد سياسات لضمان الالتزام بالتوجيهات الإدارية.					
<b>العنصر الرابع: المعلومات والاتصال</b>						
الرقم	الفقرة	مرتفع جداً	مرتفع	متوسط	منخفض	منخفض جداً
28	لدينا أنظمة معلومات متطورة توفر معلومات ذات صلة وجودية تدعم دور الرقابة الداخلية.					
29	تسعى الإدارة لتوفير المعلومات المطلوبة لتمكين الموظفين من تنفيذ مسؤوليات الرقابة الداخلية.					
30	لدينا قنوات اتصال مستقلة وخطوط ساخنة سرية للمبلغين.					
31	توجد آليات فعالة لمعالجة ومتابعة اتصالات الأطراف الخارجية.					



					تُستخدم تقنيات التحليل البياني لاكتشاف الأنماط المشبوهة في المعاملات.	50
					تُعتمد حلول الذكاء الاصطناعي لتحليل البيانات بسرعة ودقة.	51
					يتم تنظيم تدقيق دوري من قبل فرق الرقابة الداخلية.	52
					تُعتمد طرق إبلاغ داخلية فعالة للإبلاغ عن أي أنشطة مشبوهة بسرعة.	53
					يُعزز التعاون مع السلطات الأمنية المختصة لتبادل الخبرات والمعلومات.	54
					يتم تشجيع ثقافة المسؤولية والنزاهة داخل البنك.	55
					يُتعاقد مع شركات تدقيق دولية كبرى لمراجعة أنظمة الرقابة.	56
					يوجد موظفون مختصون بتحليل المخاطر المختلفة التي قد تؤدي إلى أعمال احتيالية.	57

## ملخص الدراسة باللغة العربية

هدفت هذه الدراسة إلى استقصاء أثر نظام الرقابة الداخلية على منع الاحتيال والكشف عنه في البنوك التجارية العاملة في فلسطين من وجهة نظر موظفيها. اعتمدت الدراسة على المنهج الوصفي التحليلي، حيث جُمعت البيانات الأولية باستخدام استبانة أعدت لهذا الغرض، وتم تحليل استجابات العينة باستخدام برنامج SPSS ، وشمل مجتمع الدراسة جميع العاملين في البنوك التجارية في فلسطين والبالغ عددهم نحو (5655) موظفًا وموظفة موزعين على (11) بنكًا تجاريًا. أما حجم العينة فقد بلغ (250) موظفًا وموظفة اختيروا بطريقة العينة العشوائية البسيطة، واستُرد (206) استبيانًا صالحًا للتحليل، بما يمثل معدل استجابة مناسبًا.

أظهرت النتائج أن نظام الرقابة الداخلية في البنوك التجارية يتمتع بمستوى عالٍ من الفعالية في منع الاحتيال والكشف عنه. وقد جاءت أنشطة الرقابة في المرتبة الأولى من حيث الفعالية، تلتها بيئة الرقابة ثم المعلومات والاتصالات، في حين احتلت جوانب منع الاحتيال والكشف عنه المرتبة الرابعة، تلاها تقييم المخاطر، وجاءت المتابعة في المرتبة الأخيرة بمتوسط أقل نسبيًا. كما بينت النتائج وجود علاقة ذات دلالة إحصائية بين فعالية نظام الرقابة الداخلية بأبعاده المختلفة (بيئة الرقابة، تقييم المخاطر، أنشطة الرقابة، المعلومات والاتصالات، المتابعة) وبين قدرته على منع الاحتيال والكشف عنه، وتؤكد هذه النتائج أهمية تعزيز فعالية الرقابة الداخلية في مختلف جوانبها، بما يسهم في تدعيم الجهود الرامية إلى مكافحة الاحتيال المصرفي وتحقيق بيئة مالية أكثر أمانًا وموثوقية. كما أظهرت النتائج وجود تأثير معنوي لأبعاد الرقابة الداخلية على الحد من الاحتيال وكشفه، ما يشير إلى أن تحسين هذه الأبعاد ينعكس إيجابًا على قدرة البنوك في مواجهة الممارسات الاحتيالية.

استنادًا إلى هذه النتائج، توصي الباحثة بعدة توصيات، منها:

1. ينبغي على البنوك تبني أحدث التقنيات، وتوفير التدريب المستمر للموظفين، وتحديث السياسات والإجراءات بشكل دوري لمواجهة التهديدات المتغيرة والمتزايدة في البيئة المصرفية بفعالية.
2. يُنصح بتعزيز البيئة الرقابية لضمان الحوكمة الفعالة، وتحسين قنوات المعلومات والاتصال لتسهيل اتخاذ القرارات في الوقت المناسب وكشف الاحتيال.
3. يجب على البنوك أن تعطي الأولوية لتنفيذ العمليات والإجراءات لضمان تنفيذ موثوق لتوجيهات الإدارة.

الكلمات المفتاحية: الرقابة الداخلية، الوقاية والكشف عن الاحتيال، البنوك التجارية، فلسطين.