

THE MODERATING ROLE OF ISLAMIC WORK ETHICS ON THE RELATIONSHIP BETWEEN INTERNAL CONTROL AND JORDANIAN GOVERNMENT UNITS PERFORMANCE

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Abstract: This study examined the relationship between internal control and the Jordanian government unit's performance. The internal control variables used in this study are based on the COSO framework. This study focuses on the effect of Islamic work ethics as a moderator on the relationship between internal control and the Jordanian government unit's performance. The study applies the quantitative method using a Questionnaire survey as the research methodology. A total of 382 questionnaires was successfully collected. The data were analyzed using structural. Equation Modeling Tool (AMOS). Based on the hypothesis analysis, internal control practices were found to have a significant influence on performance. Furthermore, the results show that all the independent variables (control environment (CE), risk assessment (RA), control activities (CA), information and communication (IC), monitoring (MN)) act as significant predictors. The results also found that Islamic work ethics (IWE) positively moderates the effects of control environment (CE), risk assessment (RA), control activities (CA), monitoring (MN) on the performance of Jordanian government units. However, Islamic work ethics (IWE) was found to negatively moderate the effect of information and communication (IC), and the performance of Jordanian government units.

Keywords: Internal control, Islamic work ethics, Jordanian government unit's performance.

1. INTRODUCTION

According to Mwindi (2008), an entity needs a control system for the achievement of objectives. An effective control system is a significant company management component upon which the smooth operations of the organization rests upon. On the other hand, ineffective internal controls could cause the ineffectiveness of programs and ultimately, incur costs (Olumbe, 2012). The more recent corporate collapse that highlighted fraud in accounting is frequently preceded by failed internal control systems (Anyanzwa, 2013). Companies generally design, create and implement structures, processes and systems to adhere to new practices and procedures requirements as opposed to rational analysis based on economic cost. This is because in so doing, they minimize the agency issues and assure relevant stakeholders (Arwinge, 2013).

However, internal controls should be primarily used to improve performance reliability (directly and indirectly) through the establishment of accountability among the providers of information within the organization (Nijru et al., 2016). In fact, internal controls serve as an independent appraising mechanism for the performance of management in conducting its responsibilities (Muhunyo, 2018a). In addition, effective internal control system indubitably connects with the success of the organization in performance satisfaction as laid down in the planned targets (Hanim Fadzil, et al 2005). They work towards promoting operational efficiency and effectiveness, mitigating risks and losses of assets and ensures adherence to the laws and regulations.

More importantly, internal control guarantees that financial reporting is reliable, with the transactions documented, confirmed for their authenticity, value, timely recording, and classification, summary and publishing (Nijru et al., 2016). Effective system of internal control within the organization assist in efficiently and effectively achieving the objectives but on the whole, the concept is supported to achieve the mission of the organization, promote organized processes, economic, efficient and effective processes and generate quality products/services that are aligned with the mission. In addition it also protects against loss brought about by waste, abuse, erroneous managing, errors and fraudulent activities (Matata, 2015). Aside from the above, it ensures compliance to laws, regulations contracts, directives of management, development and maintenance of valid and accurate financial and management data and timely reports (Magara, 2013). According to Awad et al. (2015), internal control focuses on the achieving of operations in light of efficiency and effectiveness, indicating that control has to be set up based on mitigation of costs and efficient resources used to generate high-income level, to create an efficient lead, and to steer clear of wastage during the cycle of production. With the acceptance of internal control and its smooth running, the company's performance is optimized compared to its rivals (Al-Thuneibat, 2015).

Work ethics have been evidenced to have a significant influence on the outcomes (individual and organizational). The perception of an individual of work ethics is generated through his/her religious faith and supported by cultural values. In addition, work ethics is a requirement for every organization (Al-Modaf, 2005) for effective and efficient working, guided by an ethical framework that directed how good work should be performed (Abeng, 1997) In relation to this, Abdul (2013) revealed that religious orientation positively influenced the performance of business firms. Ethical values constitute human assets that determine efficient and productive performance of organizations and this is particularly true for Islamic work ethics (Abbasi et al., 2012; Yesil et al., 2012).

2. LITERATURE REVIEW

Internal control systems refer to the combined methods, plans and procedures, which safeguard the assets of a firm, enhance financial and operational performance as well as foster observance of policies that are prescribed (Hopkin, 2012). In a different viewpoint, COSO (2013) are of the view that internal control systems are processes put in place by the management, board of directors and other personnel of an entity, to offer reasonable assurance as regard the realization of organizational objectives. These objectives comprise efficiency and effectiveness of operations, trustworthiness of management and financial reporting, observance of applicable regulations and laws, as well as the safeguard of an entity's reputation. As stated by Cunningham (2004), internal control systems come into being as internal processes purposely to help a corporation to achieve its set objectives. According to the International Federation of Accountants [IFAC] (2006), COSO's Integrated Framework for Internal Control (1992) and the Turnbull's Guidance on Internal Control (1999) took a much broader approach to internal controls than Sarbanes-Oxley, in terms of scope, objectives and approach. They focused on a risk-based approach to internal controls by adopting controls covering the company's entire range of activities or operations, and not just those directly related to financial reporting (Moeller, 2013).

The COSO framework of internal control segregates the internal control systems into five dimensions namely: control environment, control activities, risk assessment, information and communication, and monitoring activities (Arwinge, 2013; COSO, 2013). This framework has been an illustrious framework of internal control and has been adopted by several organizations, including the World Bank and World Health Organization. The Treadway Commission established the Committee of Sponsoring Organizations (COSO) in 1985 to assist in sponsoring the National Commission on Fraudulent Financial Reporting. More specifically COSO refers to an independent initiative that researches the determining factors of falsified financial reporting.

The committee's guidelines are generally focused on internal control measures and a model was developed in 1992, COSO mainly aims to provide leadership to management and governance through extensive framework development, guide internal controls, risk management, business ethics, and governance, and pre-empt detection of fraud. It primarily focuses on enhancing organizational performance and mitigating the possibility of fraud and ineffective management (Vaittinen, 2015). More importantly, the COSO model is a pioneering internal control model, consisting of the definition of internal control along with its components and the model is a process of internal control whose responsibility lies in the board, management, and control personnel. COSO also determines the financial reporting reliability and the legitimacy of the corporate actions (Ahokas, 2010),

Control Environment

This dimension covers top management actions, policies and procedures that work towards clarifying the values and integrity of the organization, being that the activities will be devoid of unethical elements (Rasha, 2013; Ayyash, 2017; Thneibat, 2012).

Risk assessment

Risk assessment refers to identifying and analyzing management relevant risk towards the preparation of financial statements (Sudsomboon, Ussahawanitchakit, 2009). According to Theofanis, Karagiorgos and Drogalas (2011), risk assessment refers to the determination and evaluation of risks to the achievement of the objectives of the organization.

Control activities

Under control activities, the aim is to make sure that the guidelines set out by management are present and oversight activities are effective and efficient in order to achieve organization objectives. (Salym, 2015).

Information and Communication

It comprises information systems and communication systems consist of methods and channels adopted by the organization to relay information, directives, and policies throughout the levels and departments (INTOSAI, 2004; Shim, 2011). The significant point lies in the presence of an effective communication system that enables information flow up, down, and across organizational units through the identification, capture, and relaying of relevant information at the right time so that parties requiring such information can take suitable action.

Monitoring

Monitoring refers to the regulation evaluation of the internal control system's components to identify its sound functioning through continuous oversight of distinct periodic activities and assessment, and to identify whether developing and updating is needed to keep abreast of new situations as control procedures may become obsolete as time passes. This makes monitoring suitable but challenging to adhere to (Alsharif, 2015).

Performance

Kaplan and Norton (1992) proposed the Balanced Scorecard to replace financial measures as the method is capable of measuring both financial and non-financial indicators in an integrated system (Tarawneh, 2011). According to (Atarere, & Oroka, 2012), a balanced scorecard provides the shared vision of the entity, and the usage of its estimation to interpret complexities and shapeless ideas can present an accurate frame to senior officials that plan-related developments. Moreover, a balanced scorecard provides an extensive model and integrates individual endeavors and accomplishments into specialty unit focuses. The balanced scorecard (BSC) is indubitably the most popular management system in the current times (Wiersma, 2009). According to Kaplan and Norton (1992), BSC is an accurate estimation framework, furnishing top management with an extensive overview of the performance in the hierarchy. In addition, the BSC was described as a group of measures, organized in cards, with the measures comprising of four administrative viewpoints that have the extensive perspective of business and management (Tanyi, 2011). Overall, the BSC integrates business methods with the overall management framework (Niknazar, 2011). In this study, the BSC was adopted with its four viewpoints as detailed in the next sub-sections.

Financial Perspective

Kaplan and Norton acknowledged the need for conventional financial information. The accurate and suitable monetary information is significant for the organization's productive and smooth functioning and the organization of the privileged and convenient financial resource-related information to the right individual assists in conserving time in settling the correct selection. Under this viewpoint, the most well-known action estimates merged include ROI, Cash Flow, Net Operating Income, Revenue Growth, among others (Al Shahwan, 2014).

Customer Perspective

Under this perspective, the capacity of the organization to provide quality merchandise and enterprises, the conveyance viability, and client administration and fulfillment are addressed. The above stem from cost, quality, accessibility, determination, usefulness, administration, organizations, and brand offers that will urge the security and maintenance of

an expanded client base (Kairu, 2013). Consumer loyalty is the basis for the achievement of the financial objectives plot of the organization in the scorecard. (Dahiru, 2014).

Internal Business Process Perspective

Under this perspective, the organization's internal procedures are investigated, with internal business forms being instruments via which authoritative practiced goals are achieved. While client-based measures are crucial, they have to be converted into proportions of internal activities to meet the needs of clients, and thus, this calls for the organization of fundamental tasks that empower employees (Al Shahwan, 2014) to achieve the needs of the client (Cheruiyot, 2013).

Learning and Growth Perspective

This perspective highlights the infrastructure in a way that the organization is for creation, enhancement, and long-term advancement and it addresses staff capacity, nature of data frameworks, and the influence of coordination within the association to support the goals of authority. The measurement focuses on the fulfillment of the representative and its holding and preparation (Marghi, 2012). Most of the Balanced Scorecard perspectives are correlated with each other at a statistically significant level in a sequential manner. There is a sequential dependency among the four Balanced Scorecard perspectives. It is believed that that the cause-and-effect relationship of the Balanced Scorecard will lead to improved business efficiency and profitability (Ong et al., 2010), improvements in intangible assets will affect financial outcomes (Huselid, 1995).

Islamic work ethic

Work ethic first gained interest within the religious-economic field in the 19th century and was affected by the disregard to work aspects prior to the industrial revolution in Europe. During that period, work was not appreciated or favored upon by the prevailing religious and social principles and this is evidenced by the writings of researchers. For instance, Adam Smith stated that businessmen are an order of men, interested in deceiving and oppressing the public, and have time and again succeeded in doing so rather than being on the same objectives with them. With the passage of time, negative work views were transformed. Some researchers attributed this to the emergence of Christian's Protestantism and the advent of the European industrial revolution putting a brighter perspective on the subject (Al-Owaihian, 2008).

Islam is described as a complete life code in every aspect, including the work aspect relating to ethics as provided in the Holy Quran and the life of the Prophet Muhammad (SAW). According to Beekun (1997), Islamic work ethics refer to a group of moral principles, distinguishing the right from the wrong. Islamic work ethics was defined by Rizk (2008) as the direction towards work and the related approaches as a significant life asset. For instance, workplace honesty and fairness are some of the basic Islamic work ethics principles (Yousef, 2000). The IWE application can be categorized into religiousness, effort, competition, work obligation, quality/improvement, equality, collectivity, and advantage. Business activities should be conducted in light of the dimensions overall for optimum performance and sustainable profitability (Ibrahim & Kamri, 2013).

In Islamic terms, ethics, as explained by Rahman (2010) is Haya, which is a state of respect and practice of good deeds. In Islam, a Muslim has to practice Islamic ethics in every life aspect including business. IWE has been the focus of several theoretical and empirical studies from different points of view and such studies have also focused on its role on HRM practices and work and individual related results (e.g., satisfaction and turnover) (e.g., Ali, Abbas, Abdullah, 2008). In such studies, IWE has been evidenced to lead to optimum performance, long-term prosperity and enhanced welfare of the whole society. The values espoused by IWE when it comes to managers could lead to successful running of organizations; according to Ali (2005), IWE values, overall, promote social contract and boosts emphasis on the fulfillment of the tasks and goals of the organization. In the same way, Kumar & Rose (2010) indicated that several positive attitudes can be brought about through IWE practice and these include commitment, fair work competition and hard work.

In the present study, the way IWE works along with internal control within the Jordanian government units and their impact on such units are investigated. Work ethics has been proven, repeatedly, to significantly affect organizational outcomes, where perceptions of work ethics among individuals are brought on through their religious faith and cultural values. In Al-Modaf's (2005) study, the author evidenced work ethics as useful for the functioning of organizations, profitability and sustainability. In addition, Abeng (1997) related that effective and efficient workings of the organization are possible through the adoption of an ethical framework that guides the organizational works and activities.

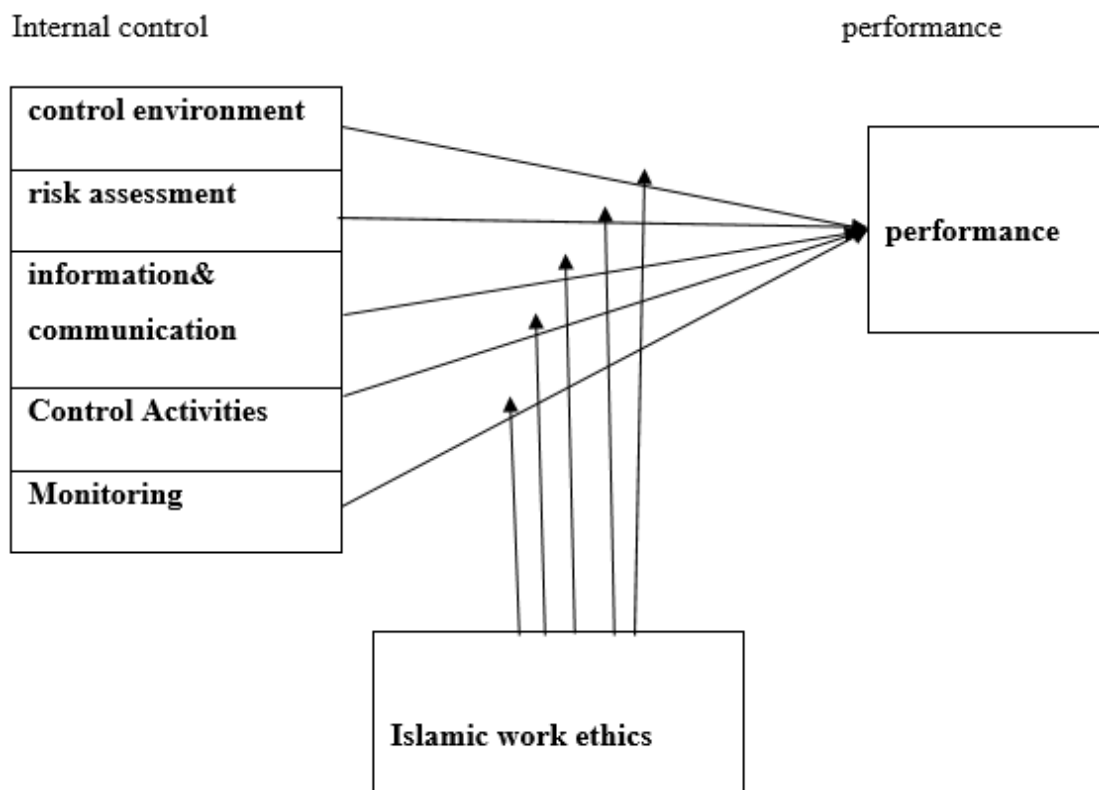


Figure 1: Research Hypotheses in Structural Model

3. RESEARCH METHODOLOGY

In this study, the population, as per Njeri, (2014) definition is the government units, encapsulating public Independent Corporations and Commissions, numbering 21. The study sample consists of managers, deputy directors, heads of departments, and employees in the internal control department, financial department as well as audit department. The objective of the quantitative approach is to develop the descriptive statistics of the vital measures for generalization purposes (Cavana et al., 2001). The Census method was utilized in this field, to enable the result to be generalized to the population (Bryman & Bell, 2003). In this regard, Secomb and Smith (2011) suggested using the Census method, in a sense that every member of the population is equally worthy of being a sample. It was additionally stated in Leedy and Ormrod (2005) that the researcher can assume that all members have similar characteristics. The study sample consisting of (managers, heads of departments, deputy directors, and employees) consisting of 385 individuals. Based on the human resources directorate's reports, the surveyed units Corporations and Commissions names, approved by the Budget Law of Government Units 2019, the distribution of the sample is tabulated in the following tables.

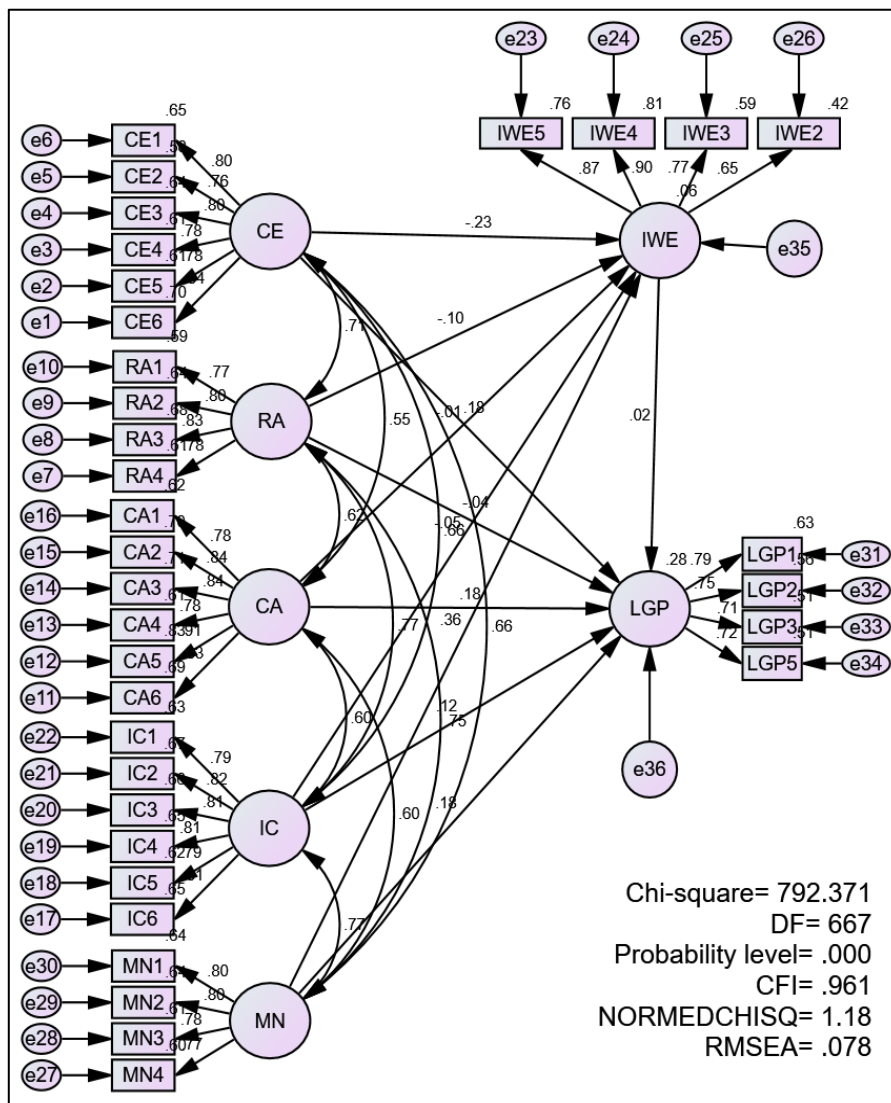
Table 1: Government Corporations sample

N	Institution Name	sample
1-	Aqaba Railway Corporation	17
2-	Housing and Urban Development Corporation	46
3-	Civil service Consumer Corporation	24
4-	Vocational Training Corporation	38
5-	Corporation of Standards and Metrology	22
6-	Radio and Television Corporation	13
7-	Jordanian Cooperative Corporation	25
8-	Food and Drug Administration	17
9-	Jordan enterprise Development corporation	33
TOTAL		235

Table 2: Government Commissions

N	Bodies name	sample
1-	Telecommunications Regulatory Commission	18
2-	Securities Commission	12
3-	Integrity and Anti - Corruption Commission	6
4-	The Jordanian Maritime Authority	7
5-	Land Transport Regulatory Commission	20
6-	Jordanian Atomic Energy Commission	16
7-	Civil Aviation Regulatory Commission	15
8-	Higher Education Accreditation Authority and Quality Assurance	11
9-	The Independent Commission for election	12
10-	Investment Commission	10
11-	Media Commission	11
12-	Energy and Minerals Regulatory Commission	13
TOTAL		150

The structured questionnaire made use of a 5-point scale (approximated equal interval) made up of strongly disagree, disagree, neutral, agree, and strongly agree. The questionnaire had two main parts; Part 1 requested the participants to provide their demographic characteristics namely, gender, qualifications, experience, specializations, and positions. In Part, 2 of the questionnaire, the measurement items were arranged according to the different constructs, which are internal control and Jordanian government units performance.



4. DISCUSSION

H1: Control environment (CE) has a positive influence on performance (PRF).

The study model proposed a positive influence of control environment (CE) and Jordanian government units performance (LGP). The beta coefficient of .147 indicates that control environment (CE) has 14.7% positive impact on Jordanian government units (LGP). This result shows that control environment positively affects performance of the Jordanian government units. In this regard, the standards of integrity, ethical values and the competence of employees, management philosophy, and style of operations, processes and structures do positively impact the performance of government units. This result consistent with the result of (Iskandar, M. 2018; Al-Thuneibat, A, et al, 2015)

H2: Risk assessment (RA) has a positive influence on performance (PRF).

The study model proposed a positive influence of Risk assessment (RA) and Jordanian government units, and based on the correlation coefficient between the two variables is .645, the above hypothesis was supported to be positive and significant. This result shows that Risk assessment positively affects performance of the Jordanian government units. In this regard, the government units has strategic plans and how to achieve them. The units has a risk analysis process that includes budget and monthly meeting to identify those risks and how to rectify any resulted risk. My unit has plans B for any surprised changes that might affect the work in the unit. This result consistent with the result of (Altanashat, M, et al 2019; Mahadeen, B, et al 2016).

H3: Control activities (CA) have a positive influence on performance (PRF).

This study proposed the positive influence of control activities on the performance of Jordanian government units and based on the correlation coefficient between the two variables is .645, the hypothesis is supported. Therefore, the government units encapsulated the policies and procedures needed for the execution of management directives and this positively impacted their performance. This result consistent with the result of (Oseifuah, & Gyekye, 2013; Rosman, R, et al, 2016)

H4: Information & communication (IC) has a positive influence on performance (PRF).

The study model proposed a positive influence of Information & communication (IC) on performance and based on that the correlation coefficient between the two variables is .921 the above hypothesis was supported to be positive and significant. This result shows that control environment positively affects performance of the Jordanian government units. In this regard, the information are recorded and reported to all stakeholders on time and appropriate bases to perform the internal control responsibilities and other duties. Beside the Information are prepared, developed and reviewed in light of strategic plans. My unit has information system, which provides the management with the required information that pertains to the strategies and objectives. The management passes the information and duties to its employees clearly and smoothly. This result consistent with the result of (Vitayanti, F., & Nini, A. 2017; Akinleye, G. & Kolawole, A, 2019)

H5: Monitoring (MN) has a positive influence on performance (PRF).

This study hypothesized the significant and positive influence of monitoring on performance and based on the correlation coefficient between the two variables is .610, the hypothesis was supported. This indicates that the units were successful in encapsulating important information that needs identification, capturing and communicating on a timely manner to assist in their internal control and its function to achieve the established objectives – this had a positive influence on the performance of the Jordanian government units. This result consistent with the result of (Kumari, k, Weerasooriya, W, 2019; Altanashat, M, et al, 2019).

Moderation Effects of Islamic Work Ethics (IWE)

H6A: Islamic work ethics (IWE) moderates the relationship between Control environment (CE) and Jordanian government units (LGP)

The effect of Islamic work ethics (IWE) interaction with Control environment (CE) on Jordanian government units (LGP) was statistically great; beta = .271, P-value = .000. This result indicated that lamic work ethics (IWE) moderates the

relationship between Control environment and Jordanian government units (LGP). Thus, the hypothesis H6.a was supported.

H6B: Islamic work ethics (IWE) moderates the relationship between Risk assessment (RA) and Jordanian government units (LGP)

The effect of Islamic work ethics (IWE) interaction with Risk assessment (RA) on Jordanian government units (LGP) was statistically great; beta = .186, P-value = .000. This result indicated that Islamic work ethics (IWE) moderates the relationship between Risk assessment and Jordanian government units (LGP). Thus, the hypothesis H6.B was supported.

H6C: Islamic work ethics (IWE) moderates the relationship between Control activities (CA) and Jordanian government units (LGP)

The effect of Islamic work ethics (IWE) interaction with Control activities (CA) (RA) on Jordanian government units (LGP). Was statistically great; beta = .199, P-value = .000. This result indicated that Islamic work ethics (IWE) moderates the relationship between Control activities and Jordanian government units (LGP). Thus, the hypothesis H6.a was supported.

H6D: Islamic work ethics (IWE) moderates the relationship between Information and communication (IC) and Jordanian government units (LGP)

The effect of Islamic work ethics (IWE) interaction with Control activities (CA) (RA) on Jordanian government units (LGP). Shows NO statistical significance; beta = .145, P-value = .000. This result indicated that Islamic work ethics (IWE) does not moderates the relationship between Control activities and Jordanian government units (LGP). Which denotes reject to hypothesis H6D. The most likely explanation for this inconsistent result between the moderate's role of Islamic work ethics (IWE) on the relationship between monitoring (MN) and Jordanian government units (LGP) where there is likely to be a defect in the religion system Or there are some people who are not religiously observant and do not perform all religious obligations

H6E: Islamic work ethics (IWE) moderates the relationship between monitoring (MN) and Jordanian government units (LGP)

The effect of Islamic work ethics (IWE) interaction with monitoring (MN) on Jordanian government units (LGP). Was statistically great; beta = .245, P-value = .000. This result indicated that Islamic work ethics (IWE) moderates the relationship between monitoring (MN) and Jordanian government units (LGP). Which denotes support to hypothesis H6E.

5. CONCLUSION

This study primarily aimed to empirically verify the moderating role of Islamic work ethics on the relationship between internal control and Jordanian government unit's performance, the five components of internal control were found to have a significant impact on performance and they are control environment, risk assessment, control activities, information and communication, and monitoring. The government units need to pay more attention to inset a high standard and goal levels for them that align with the company vision. It is also important for the management of units to determine risks towards strategic alternatives, to have easily understandable and measurable goals, and to create performance measures that are consistent in order to facilitate actual results to fall within the risk levels of the units. government units should practice information documentation and relay to all stakeholders in a timely manner, information preparation, development, and review are based on strategic plans, and establishment of communication channels among staff and departments for sound and correct performance of units' tasks the results also revealed the moderation analysis it was found that Islamic work ethics positively moderates the effects from, control environment (CE), risk assessment (RA), control activities (CA), monitoring (MN) on Jordanian government units performance. While the Islamic work ethics negatively moderates the effect of, information & communication (IC), on Jordanian government units' performance. This study supports the important role that ethics plays in generating ethical staff for an organization's management. Staff that is ethical tend to conduct their duties in an ethical manner and to provide optimum services to clients. More importantly, government units in Jordan should practice the implementation of Islamic work ethics for better and enhanced performance.

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