The importance of Knowledge innovation for external audit on anti-corruption

Empirical study for all the Bank companies are listed in ASE

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Abstract

This paper aimed to determine the importance of Knowledge innovation for external audit on anti-corruption in the entire Jordanian bank companies are listed in Amman Stock Exchange (ASE)

The study importance arises from the need to recognize the Knowledge innovation for external audit and anti-corruption as the development in the world of business, the variables that will be affected by external audit innovation are:

Reliability of financial data, relevantly of financial data, Consistency of the financial data, Full disclosure of financial data and protecting the rights of investors

To achieve the objectives of the study a questionnaire was designed and distributed to the society of the Jordanian bank are listed in Amman Stock Exchange.

The data analysis found out that the banks in Jordan have positive importance of Knowledge innovation for external audit on anti-corruption. They agree on the benefit of Knowledge innovation for external audit on anti-corruption

The statistical analysis showed that Knowledge innovation for external audit had a positive impact on the anti-corruption and that external audit has a significantly statistical relationship with anti-corruption, Reliability of financial data, Consistency of the financial data, Full disclosure of financial data and protecting the rights of investors

Key Words: Knowledge innovation, External audit, Anti-corruption, Amman Stock Exchange (ASE).

Introduction:

Already, External audit is playing a more prominent role in organizational. Coordination and innovation are crucial for companies, In addition to external audit knowledge, stakeholders expect external audit to improve their anti-bribery and anti-corruption compliance programs to detect and prevent.

Innovation is the use of new knowledge to offer a new product or service that companies want. It is invention plus commercialization (Freeman, 1982; Roberts, 1988).

According to Porter, (1990) innovation is a new way of doing things that is commercialized. The new knowledge (Afuah, 1998) can be technological or market related. Technological knowledge refers to components, processes, and linkages that contribute to an output.

Amidon (2002) defines the fundamentals of knowledge as data, information, then knowledge. She notes, "Data is a base representation of fact, information is data with context, and knowledge is information with meaning… fully actionable." It is not by coincidence that "knowledge" is used so heavily in the descriptions of innovation.

Davenport and Prusak (1998) defined knowledge as a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information.

Knowledge includes two aspects, 'managing' the knowledge that already exists in the organization, as well as enhancing the ability to create 'new knowledge'. When the management of knowledge is introduced it is the past events that are harnessed to promote and facilitate the innovation process.

Knowledge deals with the creation, acquisition, integration, distribution, and application of knowledge to improve the operation effectiveness and competitive advantage of an organization.

Knowledge innovation is providing the right information to the right people at the right time. Most companies that have knowledge programs emphasize knowledge sharing and integration which is what is referred to as first generation knowledge management.

Companies are now just beginning to put more effort in the knowledge innovation programs in the area of knowledge creation and learning which is referred to as second generation knowledge management (McElory, 2003).

In order to stimulate the invention part of innovation the organization needs to have innovation mechanisms that support knowledge creation, sharing, and integration. Thus, innovation is one of the objectives of an effective knowledge innovation program.

The importance arises from the need to recognize the Knowledge innovation for external audit and anti-corruption as the development in the world of business, the variables that will be affected by external audit innovation include: Reliability of financial data, relevantly of financial data, Consistency of the financial data, Full disclosure of financial data and protecting the rights of investors.

1. Study Problems:

Due to the lack of researches addressing the importance of Knowledge innovation for external audit on anti-corruption particularly in Jordan, this study attempts to answer the following questions:

1. What is the importance of Knowledge innovation for external audit on reliability of financial data?

2. What is the importance of Knowledge innovation for external audit on relevantly of financial data?

3. What is the importance of Knowledge innovation for external audit on consistency of financial data?

4. What is the importance of Knowledge innovation for external audit on full disclosure of financial data?

5. What is the importance of Knowledge innovation for external audit on protecting the rights of investors?

2. Study objectives:

1. To identify the concept of knowledge innovation for external audit and anti corruption in Jordanian Bank companies.

2. To examine the relationship between knowledge innovation for external audit and reliability of financial data in Jordanian Bank companies.

3. To examine the relationship between knowledge innovation for external audit and relevantly of financial data in Jordanian Bank companies.

4. To examine the relationship between knowledge innovation for external audit and consistency of financial data in Jordanian Bank companies.

5. To examine the relationship between knowledge innovation for external audit and full disclosure of financial data in Jordanian Bank companies.

6. To examine the relationship between knowledge innovation for external audit and protecting the rights of investors in Jordanian Bank companies.

3. Methodology:

The population of the study includes all commercial Bank companies are listed in Amman Stock Exchange in Jordan. The study included the financial managers working in the 13 bank companies In order to achieve the objectives of the study. The methodology is as follows:

1. Concluding exploratory study.

2. Developing thesis proposal as the primary model of the thesis.

3. Developing the questionnaire.

4. Collecting data through the questionnaire and other data collection method.

5. Carrying out a statistical analysis.

6. Developing the final form of the study.

7. Writing up the conclusion and recommendations.

4. Hypotheses:

1. H_1: there is a statistical significant relationship between knowledge innovation for external audit and anti-corruption in Jordanian Bank companies.

2. H_1: there is a statistical significant relationship between knowledge innovation for external audit and reliability of financial data in Jordanian Bank companies.

3. H_1: there is a statistical significant relationship between knowledge innovation for external audit and relevantly of financial data in Jordanian Bank companies.

4. H_1: there is a statistical significant relationship between knowledge innovation for external audit and full disclosure of financial data in Jordanian Bank companies.

5. H_1: there is a statistical significant relationship between knowledge innovation for external audit and protecting the rights of investors in Jordanian Bank companies.

6. Literature review:

Newell, Huange, Galliers and Pan, (2003) examines the simultaneous implementation within a single organization of two contemporary managerial information systems—Enterprise Resource Planning (ERP) and Knowledge Management (KM). Exploring their simultaneous deployment within an organization provides an opportunity to examine the resulting interactions and impacts. More specifically, we examine their combined influence on improving organizational efficiency, flexibility, two outcomes which traditional organizational theory suggests are incompatible. Through an interpretative case study, the research confirms that: the two systems can be implemented in tandem to good effect. complementarity between the two systems is possible, although this is not an automatic outcome, it has to be fostered**.**

Rennie, Morina (1999), Knowledge-based companies have suffered from the failure of the traditional financial reporting system to reflect knowledge assets on the balance sheet. Because of the level of uncertainty associated with knowledge-related expenditures, accountants normally must classify them as expenses. This system was not unreasonable in the past, when assets were primarily tangible and it was normally clear what role these assets would play in providing benefits to the organization. In recent times, however, knowledge assets and other "soft" assets have been increasingly important to success. We need a mechanism that will reduce the need to make these capitalization /expense decisions prematurely. I discuss the benefits of creating a new financial statement containing expenditures for which status as an asset or expense has not yet been resolved.

Stewart, Munrro, (2007) , This article uses an experimental design to examine the impact of audit committee existence, the frequency of audit committee meetings and the auditor's attendance at meetings on aspects of the external audit. We developed a hypothetical scenario involving a company with a newly formed audit committee and we varied the number of times the audit committee met each year and the audit partner's attendance at the meetings. In the first version of the instrument, participants were advised that the committee met twice a year and the partner was required to attend both meetings. In the second version, the audit committee met six times a year, and the partner was required to attend only the first and last meetings of the year. In the third version, the audit committee met six times a year, and the partner was required to attend all meetings. We chose this design in order to measure the expected impact of these factors on audit risk, audit efficiency, audit testing, auditor–client conflict resolution, audit quality and audit fees.

7. Results Analysis: Testing the hypotheses:

First hypothesis:

There is a statistical significant relationship between knowledge innovation for external audit and anti-corruption in Jordanian Bank companies

For testing this hypothesis F- test was done using SPSS and the following results were calculated:

The correlation value = 0.47 between knowledge innovation for external audit and anti-corruption , and the correlation is statistically significant, therefore we accept the H_1 hypothesis which states that there is a relationship between knowledge innovation for external audit and anti-corruption .

Second hypothesis:

There is a statistical significant relationship between knowledge innovation for external audit and reliability of financial data in Jordanian Bank companies

For testing this hypothesis F- test was done using SPSS and the following results were calculated:

The correlation value = 0.61 between knowledge innovation for external audit and reliability of financial data , and the correlation is statistically significant, therefore we accept the H_1 hypothesis which states that there is a relationship between knowledge innovation for external audit and reliability of financial data.

Third hypothesis:

There is a statistical significant relationship between knowledge innovation for external audit and relevantly of financial data in Jordanian Bank companies

For testing this hypothesis F- test was done using SPSS and the following results were calculated:

The correlation value = 0.32 between knowledge innovation for external audit and relevantly of financial data , and the correlation is statistically significant, therefore we accept the H_1 hypothesis which states that there is a relationship between knowledge innovation for external audit and relevantly of financial data.

Fourth hypothesis:

There is a statistical significant relationship between knowledge innovation for external audit and full disclosure of financial data in Jordanian Bank companies

For testing this hypothesis F- test was done using SPSS and the following results were calculated:

The correlation value = 0.76 between knowledge innovation for external audit and full disclosure of financial data , and the correlation is statistically significant, therefore we accept the H_1 hypothesis which states that there is a relationship between knowledge innovation for external audit and full disclosure of financial data of financial data.

Fifth hypothesis:

There is a statistical significant relationship between knowledge innovation for external audit and protecting the rights of investors in Jordanian Bank companies

For testing this hypothesis F- test was done using SPSS and the following results were calculated:

The correlation value = 0.87 between knowledge innovation for external audit and protecting the rights of investors , and the correlation is statistically significant, therefore we accept the H_1 hypothesis which states that there is a relationship between knowledge innovation for external audit and protecting the rights of investors .

9. Conclusions:

This paper concluded the following:

1. knowledge innovation for external audit had a statistically significant importance for Reliability of financial data, relevantly of financial data, Consistency of the financial data, Full disclosure of financial data and protecting the rights of investors.

2. knowledge innovation for external audit had a statistically significant importance for reliability of financial data by refers to the accuracy with which the financial data is reported. The company needs to understand the importance of innovation for external audit the financial transaction so that the transaction is recorded accurately in the financial records. Financial statement users want to know that information reported is accurate and can be trusted.

3. knowledge innovation for external audit had a statistically significant importance for relevantly of financial data. The knowledge innovation for external audit make financial statements relevant is to provide financial information that the user can work with to make financial decisions.

4. The consistent , Full disclosure for financial data is very important, based on responses received from the initial consultation according to external audit standards.

5. The investors are looking to protect their investments, The knowledge innovation for external audit had a statistically significant importance for the protecting the rights of investors.

10. Recommendations:

The study recommends the following:

1. It is important for Jordanian companies to focus in the advancement of the knowledge innovation for external audit especially with regards to aspects related for Banks in order to keep up with the reliability of financial data, relevantly of financial data, Consistency of the financial data, Full disclosure of financial data and protecting the rights of investors**.**

2. Continued follow-up the latest developments in knowledge innovation for external audit in order to benefits from the services offered by using knowledge innovation for external audit for financial reporting users in Jordanian companies.

3. It also recommends that Conducting more studies concerning the conceptual framework for both knowledge innovation for external audit and anticorruption.

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