

The Effect of Applying COSO's Internal Control Framework on Operational Risk Management in the Commercial Banks in Jordan

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Abstract

The study aimed to identify the effect of applying COSO's internal control framework on operational risk management in the commercial banks in Jordan, to identify the extent of applying internal control elements according to this framework at mentioned banks, and the extent of applying the correct practices for managing operational risks at these banks.

In order to achieve the study objectives, the researcher developed a special questionnaire, which was distributed to the study sample selected from commercial banks in Jordan. The Statistical Package for Social Sciences (SPSS) was used to analyze and examine the study hypotheses such as means, standard deviations, and simple and multiple regression.

The study concluded that there is a significant effect of applying all internal control elements together according to COSO's framework on operational risk management in the commercial banks in Jordan, in addition there is a significant effect

for each one of these elements on operational risk management in the commercial banks in Jordan, The study also concluded that there is a medium degree of application of internal control elements according to COSO's framework at these banks. In addition to the existence of proper operational risk management procedures and practices in a medium degree at these banks.

The study presented many recommendations such as: necessity of enforcing the application of internal control elements according to COSO's framework by commercial banks in Jordan, because of its important role in managing operational risks, focusing on applying the correct practices for managing operational risks, because these banks are working at rapidly changing environment, with a high degree of competitiveness, in which will increase the probability of facing more operational risks, and finally the necessity of creating a special department for managing these risks at commercial banks in Jordan.