Exploring External Auditors Perceptions of the Motivations behind Management Fraud in Egypt: A Mixed Research Methods Approach

Kassem, R

Original citation & hyperlink:
Kassem, R 2018, 'Exploring External Auditors Perceptions of the Motivations behind Management Fraud in Egypt: A Mixed Research Methods Approach' *Managerial Auditing Journal*, vol 33, no. 1, pp. 16-34
https://dx.doi.org/10.1108/MAJ-11-2016-1470

DOI 10.1108/MAJ-11-2016-1470
ISSN 0268-6902

Publisher: Emerald

Exploring External Auditors' Perceptions of the Motivations behind Management Fraud in Egypt – A Mixed Methods Approach

1. Introduction

Financial reporting fraud is a critical concern for investors and other stakeholders. It is the most costly type of corporate fraud as reported by a recent global study by the Association of Certified Fraud Examiners (ACFE) in 2016, and its impact goes beyond financial losses (Rezaee and Riley, 2010). Financial reporting fraud is more likely to be committed by management and thus it is sometimes referred to as management fraud (Wells, 2005; Brennan and Mcgrath, 2007; Goel and Gangolly, 2012; ACFE, 2014).

Financial reporting fraud can be difficult to detect because it is often perpetrated by highly motivated and qualified teams of knowledgeable managers with the power to override internal controls (Buckhoff, 2001; Wang and Kleiner, 2005; Firth et al., 2011; Wells, 2011). However, it is believed that understanding the motivations behind management fraud is a key to its detection (Young, 2000; Albrecht et al., 2006; Ramamoorti, 2008). External auditors could help in the detection of financial reporting fraud, if they thought beyond the numbers in the financial statements and focused more on management motivations as they are key antecedents to committing fraud (Reinstein et al., 1998; Davies, 2000; Coenen, 2008; Hasnan et al., 2008; Ramamoorti et al., 2009). The aim of this study is therefore to explore external auditors' perceptions of the motivations behind management fraud in Egypt. The study was motivated by the lack of consensus in the prior literature with regards to what motivates management to commit financial reporting fraud. The focus of the literature has also been on developed countries and little attention has been given to developing countries. This allowed the current study to expand knowledge in a developing context, such as Egypt, that has yet to receive substantial research attention. External auditors were chosen as participants in the current study for two reasons. First, the International Standard on Auditing (ISA 240): *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* requires external auditors to assess the risk of financial reporting fraud by considering the three fraud triangle factors (i.e. motives to commit fraud, opportunity to commit fraud, and rationalisation of fraud). Hence, external auditors are in an appropriate position to understand management motivations given that they are required to assess the risk of motivations to commit fraud as part of their fraud risk assessment.

Second, it is very difficult to gain access to management who have been prosecuted for committing financial reporting fraud in Egypt. In addition, news about fraud cases are unlikely to be publicised in Egypt due to the secrecy of the culture (Dahawy et al, 2010). The findings revealed that the desire to obtain remuneration or bonuses, and the need to secure financing are the most common motivations behind management fraud in Egypt. The results imply that these two motives appear to be common across developed and developing nations. The study developed two guides of motivations behind management fraud. The first guide is based on findings from the literature and the second guide is based on insights from the audit field in Egypt. These guides could help external auditors recognise the signs that can trigger management motivations to engage in financial reporting fraud which, in turn, could increase the likelihood of detecting it. The results could also be useful for Egyptian regulators and external auditors who wish to reduce fraud risks in their own country.

The remainder of the paper is structured as follows: Section two, reviews the prior literature related to the motivations behind management fraud. Section three, describes the methods used for data collection and analysis. Section four, presents and discusses the research findings, and the paper then ends with the conclusion in section five.

2. Literature Review

The literature review indicates various motivations behind management fraud. For instance, management could be motivated to commit financial reporting fraud for financial reasons such as the need to secure financing (Dechow et al, 1996; Beasley et al., 2010; Firth et al., 2011), to obtain remuneration or bonuses (Dunn, 1999; Andreson and Tirrell, 2004; Donoher et al., 2007), to meet or beat analysts' forecasts (Albrecht et al., 2008), or to conceal company's financial distress (Kapardis, 2002; Rosner, 2003). They could also be motivated to commit fraud by non-financial reasons such as ego (Dorminey et al., 2011), culture (Zahra et al, 2005), and ownership structure, especially in the case of state ownership and family ownership (Jara and Lopez, 2011; Connelly et al, 2012).

2.1. *The Financial Motivations behind Management Fraud*

Although the literature revealed various financial motivations behind management fraud, the results of some prior studies were mixed in this area. For instance, evidence was found that bonuses and remuneration (Dunn, 1999; Anderson and Tirrell; 2004, Albrecht et al., 2008; Elayan and Meyer, 2008; Mckee and Santore, 2008; Beasley et al., 2010), equity ownership (Donoher et al., 2007), and stock options (Chesney and Gibson-Asner, 2005; Cullinan et al., 2008; Troy et al., 2011) motivate management to commit financial reporting fraud. It was also observed that accounting manipulation appears to be driven by CEOs' compensation incentives and facilitated by their power (Boyle et al., 2012), and that the likelihood of fraud is positively related to incentives from unrestricted stock and unrelated to restricted stock (Johnson et al., 2008). In contrast, other scholars (Dechow et al., 1996; Uddin, 2000; Erickson et al., 2006; Persons, 2012) found no evidence that managers are manipulating earnings to obtain bonuses or to sell their stockholdings at inflated prices. Gerety and Lehn (1997) added that the use of accounting based executive compensation schemes appear unimportant in affecting the decision to commit disclosure violations.

The need to secure financing at low cost (Dechow et al., 1996; Beasley et al., 1999; Dunn, 1999; Beasley et al., 2010; Firth et al., 2011) and the desire to avoid debt covenants restrictions (Dechow et al. 1996; Anderson and Tirrell, 2004) were found as motives for management to commit financial reporting fraud. However, the focus of the literature was on developed countries and only one study (Kamel and Elbanna, 2010) was conducted in Egypt as a developing context. This study, however, explored earnings management rather than financial reporting fraud and found that the main incentive for manipulating earnings in Egypt is to enhance the chances of obtaining a bank loan. Other studies (Rezaee, 2003; Albrecht et al., 2008; Beasley et al., 2010) observed that meeting or beating analysts' forecasts could be a motive for management to commit financial reporting fraud. However, these studies lacked empirical evidence. Only one study by Perols and Lougee (2010) examined how previous earnings management impacts the likelihood that a firm will commit financial reporting fraud and found that fraud firms are more likely to meet or beat analyst forecasts and inflate revenue than non-fraud firms.

The need to conceal the company's deteriorating financial condition is also one of the cited motives behind management fraud in the literature (Hasnan et al., 2008; Beasley et al., 2010; Firth et al., 2011). It was observed that companies committing fraud were experiencing net losses or were in close to break-even positions before the fraud (Beasley et al., 1999; Kapardis, 2002; Rosner, 2003; Johnson et al., 2008; Albrecht et al., 2008). However, only two of these studies (Hasnan et al., 2008 and Firth et al., 2011) were conducted in a developing context (i.e. Malaysia and China respectively). Several other studies found that management could be motivated by other financial factors to commit financial reporting fraud. Such factors include the desire to sustain previous year's profit performance, report profits, and achieve high-share valuation (Kamel and El Banna, 2010), the need to cover up assets misappropriated for personal use (Beasley et al., 1999), to avoid de-listing from stock exchanges (Beasley et al., 1999; Firth et al., 2011), for sudden personal need for money (Drew, 2012), or greed (Albrecht et al., 2008).

2.2. *The Non-Financial Motivations behind Management Fraud*

Ownership structure such as in the case of family-owned businesses and state-owned businesses was mentioned in the literature as a motive for management to commit financial reporting fraud. However, the results were mixed leading to inconclusive evidence in this area. For instance, some researchers (Anderson and Tirrell, 2004; Hasnan et al., 2008; Albrecht et al., 2010; Prabowo and Simpson, 2011; Jara and Lopez, 2011; Connelly et al., 2012) concluded that pressure from family owners in family-owned businesses to report high profits could motivate management to commit financial reporting fraud to please the owners and keep their jobs. Others (Chen et al., 2008; Salvato and Moores, 2010) observed improper disclosure cases in family-owned businesses. In contrast, Ahmad et al. (2008) found that a company's form of control, whether it is controlled or not controlled by families or a sole proprietor, has no significant effect on misstatements of financial reports. Others (Prencipe et al., 2008; Tong; 2008; Ibrahim and Samad, 2011) concluded that family firms experience lower family agency costs compared to non-family firms. Klein et al. (2005) found no evidence that family ownership affects firm's performance. Borisova et al. (2012) indicated that government ownership put pressure on management to commit fraud, while others (Hasnan et al., 2008; Kamel and Elbanna, 2012) found no evidence that this is the case.

The literature revealed other non-financial motives for management fraud. This includes coercion (Boyle et al., 2012; Dorminey et al., 2011) and high degree of competition in the market (Omar and Din, 2010). Other studies suggested ego (Anderson and Tirrell, 2004; Dorminey et al., 2011), culture and norms (Zahra et al., 2005), self-esteem (Rezaee and Riley, 2010), and ideology (Dorminey et al., 2011). However, their results were based on theory rather than empirical evidence.

The current study compiled the motivations behind management fraud that were mentioned in the literature in table 1. The table includes the number of times each motive was cited to show the most commonly cited motivation(s), and to identify gaps in the literature. This list of management motivations was then used in the questionnaire designed by the current study to explore whether the motivations behind management fraud in Egypt are different from management in other contexts.

(Insert table 1 here)

Table 1 shows that in most of these studies, the focus was on developed countries leaving developing countries like Egypt unexplored. The most commonly cited motives behind management fraud were "Desire for remuneration (cited 22 times)" followed by "Ownership structure (cited 19 times)". However, the results of the prior literature in this area were mixed. It can also be observed from the table that very few studies explored non-financial management motives and that most of these studies were based on theory rather than empirical evidence.

3. Research Methods

Mixed research methods, namely an online questionnaire and semi-structured interviews, were used for data collection (N.B. The questionnaire and interview schedule are available upon request). The current research used the sequential mixed methods research design where the first phase of data collection started by distributing an online questionnaire to participants followed by semi-structured interviews. The interviews were meant to complement and enrich the data collected via the questionnaire, which helped in depicting a complete picture of the current research issue. For instance, the interviews helped in exploring other motivations behind management fraud in Egypt that were not listed in the questionnaire. Open-ended questions in the interviews allowed participants to share their knowledge of management motivations freely without being restricted to a list of motives.

A three-stage strategy was used to gain access to participants. First, twenty potential participants were contacted via email or through their LinkedIn accounts and asked to fill in the online questionnaire. Then the snowballing technique was used to locate more contacts where existing contacts were asked to identify other possible contacts who might be interested to take part in the current study. Second, new contacts were developed through LinkedIn and Facebook, and were then asked to fill in the questionnaire. LinkedIn helped in gaining access to 127 participants, and Facebook helped in gaining access to three more participants. This led to a final sample of 150 participants. Third, the questionnaire included a question seeking participants' consent to take part in an interview related to the current study.

The questionnaire and interview schedule were pilot tested by six external auditors having more than 5 years of audit experience to make sure the wordings, structure, and questions were clear and understandable. Prior to pilot testing, two experienced accounting and audit academics were asked to comment on the representativeness and suitability of the research questions. This helped in establishing content validity and reliability of data and enabled necessary amendments prior to pilot testing. Positive feedback was received from the six external auditors with no change required. The interview schedule was also sent to participants prior to the interview to give them the opportunity to contact the researcher in case they had any questions or concerns about the interview questions.

Eighty-two questionnaires were received making a response rate of approximately 55%. This compares favourably with other studies in the same setting which have indicated that the average response rate to questionnaire surveys in Egypt tends to range between 30% and 50% (Dixon and Woodhead, 2006; Elbanna and Child, 2007 as cited in Kamel and El Banna, 2010). Thirty participants agreed to take part in the interview. Fourteen interviews were conducted via Skype and sixteen were conducted via telephone based on the preferences of participants. The interview lasted for about an hour. All interviewees agreed to have the interviews tape-recorded except for one. However, in all cases notes were taken during the interviews and were then sent to interviewees via email to ensure reliability and to build credibility. Probing questions were also used to explore responses during the interviews. Notes were summarised immediately after the interview to avoid errors, loss of key details, and to control bias. Notes were then saved based on interviewees' codes rather than their names to maintain anonymity and confidentiality.

Management motives that were cited in prior literature were all compiled in a list of 18 management motives (i.e. see table 1). The questionnaire participants were then asked to use a 5-likert scale to indicate their perception of the likelihood that each factor on the list could motivate management in Egypt to commit financial reporting fraud. “1” on the scale denotes “strongly disagree” that the motive is more likely to motivate management to commit financial reporting fraud in Egypt and “5” denotes “strongly agree”. The questionnaire participants were also asked about their audit experience, qualifications, and type of audit firm. An open-ended question was used to ask interviewees about their perceptions of the motivations behind management fraud to collect as much details as possible about this research issue. The interviewees were also asked about their job title, age, audit experience, type of audit office, professional qualifications, and the place of their professional audit training.

Most participants work for Big 4 audit firms or other international audit firms in Egypt. External auditors working at the Big 4 and international audit firms are considered to be more knowledgeable, qualified, and experienced in the external audit profession (Deloitte, 2012; Wahdan et al, 2005; Samaha and Abdallah, 2012). Demographic data for the questionnaire and interview participants are summarised in tables 2 through 6.

(Insert table 2 through 6 here)

4. Research Findings and Discussion

This study explored external auditors’ perceptions of the motivations behind management fraud. The results are summarised in table 7 and arranged based on the perceptions of participants from the most to the least likely motive.

(Insert table 7 here)

The findings indicate that the desire to obtain remuneration or bonuses was perceived as the most likely motive behind management fraud in Egypt (mean = 4.52). Most interviewees (i.e. 15 out of 30) confirmed the results of the questionnaire in this area. Two interviewees said that obtaining bonuses could motivate management in Egypt to commit financial reporting fraud especially if obtaining the bonus is linked to the company’s financial performance or any other financial target. Three interviewees added that this is more common in large or listed companies and that the revenue account is more likely to be manipulated in this case.

This finding implies that the motive to receive remuneration or bonuses appears to be common across developed and developing nations (Dunn, 1999; Jaenicke 2001; Anderson and Tirrell, 2004; Ryan and Wiggins, 2004; Gibson-Asner, 2005; Donoher et al., 2007; Albrecht et al., 2008; Cullinan et al., 2008; Elayan and Meyer, 2008; Mckee and Santore, 2008; Robison and Santore, 2008; Johnson et al., 2008; Chesney Chowdhury and Wang, 2009; Cheffins, 2009; Beasley et al., 2010; Troy et al., 2011). The need to secure financing was perceived as the second most likely motive behind management fraud in Egypt (mean = 4.10). This motive was also mentioned by twelve interviewees, which indicates that the need to secure financing appears to be common across developed and developing nations (Dechow et al., 1996; Beasley et al., 1999; Dunn, 1999; Anderson and Tirrell, 2004; Beasley et al., 2010; Firth et al., 2011). The third most likely perceived management motive in Egypt was the desire to conceal financial distress or to avoid bankruptcy (mean = 4:00). This finding supports the results of prior studies (Beasley et al., 1999; Kapardis, 2002; Rosner, 2003; Albrecht et al., 2008; Johnson et al., 2008; Hasnan et al., 2008; Beasley et al., 2010; Firth et al., 2011) that found evidence of this motive in other contexts. However, the current study was the first to find evidence that management in Egypt could be motivated by these factors (i.e. bonuses, need to secure financing, and need to conceal financial distress) to commit financial reporting fraud.

Ten interviewees noted that “tax avoidance or tax evasion” could motivate management in Egypt to commit financial reporting fraud. One of them added that this is more common in small companies or family-owned businesses. Other interviewees added that management could commit financial reporting fraud in Egypt to keep their jobs (mentioned by 6 interviewees), and for personal financial gain (mentioned by 5 interviewees). Five interviewees mentioned the need to meet or reduce budget variances could motivate management in Egypt to commit fraud especially when budget is unrealistic or targets are very difficult to achieve.

With regards to non-financial motivations, pressure from owners in family-owned businesses was perceived as the most likely non-financial motive behind management fraud in Egypt (mean = 3.85). This was followed by the desire to avoid de-listing from a stock exchange (mean = 3.66). The high likelihood of these two non-financial motives reinforce the view that management could be motivated to commit fraud in family owned businesses due to pressure from family owners (Anderson and Tirell, 2004; Connelly et al., 2012; Chen et al., 2008;

Hasnan et al., 2008; Albrecht et al., 2010; Jara and Lopez, 2011), or to avoid delisting from stock exchange in listed companies (Firth et al., 2011). This is particularly notable in the Egyptian context as there is no evidence in the current study that ego and self-esteem, culture and norms, ideology, and the desire to take revenge are likely to motivate management in Egypt to commit financial reporting fraud. Five interviewees added that the need to survive in the market especially when there is monopoly or high competition in the market could be a motive for management in Egypt to commit financial reporting fraud. The need to meet bank's covenant agreements was mentioned by four interviewees as a motive behind management fraud. Interviewees added that in this case, management could be forced to manipulate equity or financial ratios especially liquidity ratios to meet bank covenant agreements. Three interviewees said management in Egypt could be motivated by an existing opportunity in the company's internal control system or a weakness in current accounting standards or regulations.

The results from both the questionnaire and interviews were compared and then compiled in table 8. The table includes the number of participants (i.e. both questionnaire and interviews' participants) that agreed with each of the listed motives. The rank given to each motive is based on the total number of participants who agreed with each motive. For example, the desire to get remuneration was suggested by 78 questionnaire participants and 15 interviewees, so the total number of participants who agreed with that motive is 93 which was the highest total and thus was ranked number 1. All motives were then arranged per their likely occurrence from the most likely to the least likely based on the perception of external auditors in the current study.

(Insert table 8 here)

The outcome of the current study is a list of 45 motivations behind management fraud in Egypt (i.e. see table 9). The motives are ranked from the most likely to the least likely motives based on the perceptions of external auditors in Egypt. This list could help external auditors in Egypt recognise the signs that trigger the risk of motivations behind management fraud. This could enhance external auditors' skills in fraud risk assessment which, in turn, could increase the likelihood of detecting financial reporting fraud.

(Insert table 9 here)

5. Conclusion

This study explored external auditors' perceptions of the motivations behind management fraud. The findings indicate that the desire to obtain bonuses or remunerations, and the need to secure financing are more likely factors to motivate management in Egypt to commit financial reporting fraud. The results imply that these two motives appear to be common across developed and developing nations. However, in Egypt the risk of committing financial reporting fraud for bonuses or remuneration seems to be high in the case of large companies, listed companies, and when bonuses or remunerations are linked to financial targets. This study also found that tax avoidance is more likely to motivate management in Egypt to commit financial reporting fraud, and that this is more likely in small businesses or family-owned businesses. Non-financial factors such as pressure from family owners in family-owned businesses and the need to avoid delisting from stock exchange were also perceived as more likely motivations behind management fraud in Egypt. However, no evidence was found that ego, self-esteem, culture and norms, ideology, and the desire to take revenge are likely motives behind management fraud in Egypt.

This study did not also use factor analysis to ascertain whether differences exist among some motives/factors, and thus this should be the focus of future studies. Despite this limitation, the current study is the first to explore the motivations behind management fraud in Egypt, a context that has yet to receive substantial research attention. The findings of the current study could be beneficial for audit regulators and government in Egypt who wish to reduce fraud risks in their own country. The guides of management motivations developed by this study could be useful for external auditors in their fraud risk assessments, and for audit professional bodies in their anti-fraud training programmes.

References

- Association of Certified Fraud Examiner (ACFE). (2016), *Report to the Nation on Occupational Fraud and Abuse*, available at www.acfe.com
- Ahmad, N.; Mohd-Nor, J.; Mohd-Saleh, N. (2008), “Fraudulent financial reporting and companies’ characteristics: Evidence from tax audit”, working paper, Social Science Research Network, available at www.ssrn.com Accessed 01/05/2014 (accessed 02 July 2015)
- Albrecht, C.; Turnbull, C.; Zhang, Y.; Skousen, C. J. (2010), “The relationship between South Korean chaebols and fraud”, *Managerial Auditing Journal*, Vol.33 No.3, pp.257-268, available at www.emerald.com (accessed 01 July 2011)
- Albrecht, W. S., Albrecht, C., and Albrecht, C. C. (2008), “Current trends in fraud and its detection”, *Information Security Journal: A global perspective*, Vol.17 No.1, pp.2-12, available at www.ebscohost.com (accessed 02 June 2011)
- Albrecht, W.S., Albrecht, C.C., Albrecht, C.O. (2006), *Fraud Examination*, 2nd edition, Thomson, United Kingdom
- Anderson, J.R. and Tirrell, M. (2004). “Too good to be true: CEOs and financial reporting fraud”, *Consulting Psychology Journal: Practice and Research*, Vol. 56 Winter, pp.35-43
- Anis, A. (2014), “Auditors’ perceptions of audit firm rotation impact on audit quality in Egypt”, *Accounting and Taxation*, Vol.6 No.1, pp.105-120, available at www.ssrn.com Accessed 01/05/2014 (accessed 15 July 2015)
- Ball, R. (2009), “Market and political/regulatory perspectives on the recent accounting scandals”, *Journal of Accounting Research*, Vol.47 No.2, pp.277-323
- Barsoum, G.; Ramadan, M.; and Mostafa, M. (2014), “Labour Market Transitions of Young Women and Men in Egypt”, *Work 4Youth Publications Series*, Vol 16. June, pp.1-72, available at http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_247596.pdf (accessed 15 October 2015)
- Beasley, M. (1999), “An empirical analysis of the relationship between the board of directors’ composition and financial statement fraud”, *The Accounting Review*, Vol 71 No.4, pp. 443-465.
- Beasley, M.S., Carcello, J.V., and Hermanson, D.R. (1999), “Fraudulent financial reporting: 1987-1997, an analysis of U.S. public companies”, *Committee of Sponsored Organisations of the Treadway Commission*, available at www.coso.org (accessed 14 July 2015)
- Beasley, M.S.; Carcello, J.V.; Hermanson, D.R.; and Neal, T.L. (2010), “Fraudulent financial reporting 1998-2007: an analysis of U.S. public companies”, *Committee of Sponsored Organisations of the Treadway Commission*, available at www.coso.org (accessed 14 July 2015)
- Borisova, G.; Brockman, P.; Salas, J; Zagorchev, A. (2012), “Government ownership and corporate governance: Evidence from the EU”, *Journal of Banking & Finance*, Vol.36, pp.2917-2934
- Boyle, D.; Carpenter, B.; Hermanson, D. (2012), “CEOs, CFOs, and Accounting Fraud”, *CPA Journal*, Vol. 82 No.1, pp.62-67
- Buckhoff, T.A. (2001), “Employee fraud: Perpetrators and their motivations”, *The CPA Journal*. November, pp.1-5
- Burke, R. and El-Kot, G. (2011), “Gender similarities in work and well-being outcomes among managers and professionals in Egypt”, *International Journal of Gender and Entrepreneurship*, Vol. 3 No.1, pp.56-74
- Center for Audit Quality (2010), “*Deterring and detecting financial reporting fraud: a platform for action”,* December, pp.1-32. Available at www.aicpa.com (accessed 02 June 2015)
- Cheffins, B. (2009), “Did corporate governance fail during the 2008 stock market meltdown? The case of the S&P 500”, *Business Lawyer*, Vol.65 No.1, pp.1-65
- Chen, S.; Chen, X.; and Cheng, Q. (2008), “Do family firms provide more or less voluntary disclosure?” *Journal of Accounting Research*, Vol.46 No.3, pp.499-536

- Chesney, M; Gibson-Asner, R. (2005), "Stock options and managers' incentives to cheat", Working Paper, Social Science Research Network, available at www.ssrn.com (accessed 06 July 2015)
- Chowdhury, S.D., Wang, E.Z. (2009), "Institutional Activism Types and CEO Compensation: A Time-Series Analysis of Large Canadian Corporation", *Journal of Management*, Vol. 35, pp. 5-36.
- Coenen, T. (2008), *Essentials of corporate fraud*, John Wiley & Sons, Hoboken, New Jersey
- Connelly, J.; Limpaphayom, P.; and Nagarajan, N. (2012), "Form versus substance: The effect of ownership structure and corporate governance on firm value in Thailand", *Journal of Banking & Finance*, Vol.36, pp.1722-1743
- Cressey, D. R. (1950), "The criminal violation of financial trust", *American Sociological Review*, Vol.15 No.6, pp.738-743, available at www.JSTOR.org (accessed 04 April 2015)
- Creswell, J.W. and Clark, V.L. (2011), Designing and Conducting Mixed Methods Research. 2nd ed. London, SAGE Publications, Inc.
- Cullinan, P.C., Du, H., and Wright, G.B. (2008), "Is there an association between director option compensation and the likelihood of misstatement?", *Advances in Accounting, Incorporating Advances in International Accounting*, Vol.24, pp.16-23
- Dahawy, K., Shehata, N.F., Ransopher, T. (2010). The state of accounting in Egypt: a case. *Journal of Business Cases and Applications*, pp.1-12
- Davies, D. (2000), *Fraud watch*, 2nd edition, ABG Professional Information, KPMG, London
- Dechow, P.M., Sloan, R.G., and Sweeney, A.P. (1996), "Causes and consequences of earnings manipulation: an analysis of firms subject to enforcement actions by the SEC", *Contemporary Accounting Research*, Vol.13 No.1, pp.1-36
- Deloitte. (2012), "*Accounting Standards Updates by Jurisdiction: Egypt*", available at www.deloitte.com (accessed 02 June 2015)
- Dey, C.R.; Grinyer, J.R.; Sinclair, C.D.; El Habashy, H. (2008), "Determinants of accounting choices in Egypt", *Journal of Applied Accounting Research*.Vol.8 No.3, pp.48-92.
- Dixon, R. and Woodhead, A.D. (2006), "An investigation of the expectation gap in Egypt", *Managerial Auditing Journal*, Vol. 21 No.3, pp. 293-302
- Donoher, W.J., Reed, R., Storrud-Barnes, S.F. (2007), "Incentive alignment, control, and the issue of misleading financial disclosures", *Journal of Management*, Vol.33 No.4, pp. 547-569.
- Dorminey, J., Fleming, S., Kranacher, M., and Riley, R. (2011), "The evolution of fraud theory", presented at the *American Accounting Association Annual Meeting, Denver, August*
- Dorminey, J.; Fleming, A.; Kranacher, M.; and Riley, R. (2012), "The evolution of fraud theory", *Issues in Accounting Education*, Vol.27 No.2, pp.555-579
- Drew, J. (2012), "Criminal minds: What CPAs can learn from the way thieves think", *Journal of Accountancy*, August, pp.26-31
- Dunn, P. (1999), "*Fraudulent Financial Reporting: A Deception Based on Predisposition, Motive, and Opportunity*", PHD Thesis. Boston University, Graduate School of Management.
- Elayan, F.; Li, J.; Meyer, T. (2008), "Accounting irregularities, management compensation structure, and information asymmetry", *Accounting and Finance*. Vol.48, pp.741-760
- Elder, R. J.; Beasley, M. S.; and Arens, A. A. (2010), *Fraud auditing*. *Auditing and assurance services: An integrated approach*. 13th ed., Pearson, New Jersey
- Erickson, M.; Hanlon, M.; and Maydew, E. (2006), "Is there a link between executive equity incentives and accounting fraud?" *Journal of Accounting Research*, Vol.44 No.1, pp.113-143
- Firth, M., Rui, O.M., and Wu, W. (2011), "Cooking the books: Recipes and costs of falsified financial statements in China", *Journal of Corporate Finance*, Vol. 17, pp. 371-390
- Gerety, M.; Lehn, K. (1997), "The causes and consequences of accounting fraud", *Managerial and Decision Economics*, Vol.18, pp.587-599.
- Hasnan, S.; Rahman, R.A.; Mahenthiran, S. (2008), "Management predisposition, motive, opportunity, and earnings management for fraudulent financial reporting in Malaysia", Working Paper, Social Science Research Network, available at www.ssrn.com (accessed 01 June 2015)

- Ibrahim, H. and Samad, F.A. (2011), "Agency costs, corporate governance mechanisms and performance of public listed family firms in Malaysia", *South African Journal of Business Management*. Vol.42 No.3, pp.17-24
- International Auditing and Assurance Standards Board. (2009), International Standards on Auditing (ISA) 240: *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, available at http://www.ifac.org/system/files/downloads/a012-2010-iaasb-handbook-isa-240.pdf (accessed 01 July 2015)
- Jaenicke, H.R. (2001), "Accounting for restricted stock plans and deferred stock plans" *The Accounting Review*, January, pp.115-122
- Jara, M. and Lopez, F.J. (2011), "Earnings management and contests for control: An analysis of European family firms" *Journal of Centrum Cathedra*, Vol 4 No.1, pp.100-120
- Johnson, S.A., Ryan, H.E., and Tian, Y.S. (2008), "Managerial incentives and corporate fraud: The sources of incentives matter", Working Paper, Social Science Research Network, available at www.ssrn.com (accessed 01 June 2015)
- Jones, M. (2011), *Creative accounting, fraud, and international accounting scandals*, John Wiley and Sons Ltd, the Atrium, Southern Gate, Chichester, England.
- Kamel, H. (2012), "Earnings management and initial public offerings: a new perspective from Egypt", *Journal of Accounting in Emerging Economies*, Vol.2 No.2, pp.96-118.
- Kamel, H. and Elbanna, S. (2010), "Assessing the perceptions of the quality of reported earnings in Egypt" *Managerial Auditing Journal*, Vol.25 No.1, pp.32-52.
- Kapardis, M.K. (2002), "A fraud detection model: A must for auditors" *Journal of Financial Regulation and Compliance*, Vol.10 No.3, pp. 266-278.
- Kassem, R. and Higson, A.W. (2012), "The New Fraud Triangle Model", *Journal of Emerging Trends in Economics and Management Sciences*, Vol. 3 No.3, pp.191-195
- Klein, P.; Shapiro, D.; and Young, J. (2005), "Corporate governance, family ownership and firm value: the Canadian evidence", *Corporate Governance*, Vol.13 No.6, pp.769-784
- Krafft, C. and Assaad, R. (2014), "Why the unemployment rate is a misleading indicator of labour market health in Egypt*" Economic Research Forum,* Vol. 14, pp.1-15.
- Mckee, M. and Santore, R. (2008), "Hand in the cookie jar; an experimental investigation of equity-based compensation and managerial fraud", *Southern Economic Journal*, Vol 75 No.1, pp.261-278
- Omar, N.B, and Din, H.F.M. (2010), "Fraud diamond risk indicator: an assessment of its importance and usage", in *International Conference on Science and Social Research proceedings, held 5-7 December 2010, Kuala Lumpur, Malaysia*, available at http://www.proceedings.com/11636.html (accessed 01 June 2015)
- Perols, J.L. and Lougee, B.A. (2010), "The relation between earnings management and financial statement fraud", *Advances in Accounting, Incorporating Advances in International Accounting*, Vol.27 No.1, pp.39-53
- Persons, O. (2012), "Stock option and cash compensation of independent directors and likelihood of fraudulent financial reporting", *Journal of Business & Economics Studies*, Vol.18 No.1, pp.54-74
- Prabowo, M. and Simpson, J. (2011), "Independent directors and firm performance in family controlled firms: Evidence from Indonesia", *Asian Pacific Economic Literature*, Vol.25 No.1, pp.121-132
- Prencipe, A.; Markarian, G.; and Pozza, L. (2008), "Earnings management in family firms: Evidence from R&D cost capitalization in Italy", *Family Business Review*, Vol. 21 No.1, pp.71-88
- Ramamoorti, S. (2008), "The psychology and sociology of fraud: integrating the behavioral sciences component into fraud and forensic accounting curricula", *Issues in Accounting Education*, Vol.23 No.4, pp.521-233.
- Ramamoorti, S., Morrison, D., and Koletar, J.W. (2009), "Bringing freud to fraud: understanding the state-of-mind of the C-level suite/white collar offender through A-B-C analysis", *The Institute for Fraud Prevention* (IFP), December, pp. 1-35

- Reinstein, A.; Husband, G.; Bayou, M.E. (1998), "A comprehensive structure to help analyze, detect, and prevent fraud", Working Papers, Social Science Research Network, available at www.ssrn.com (accessed 01 June 2015)
- Rezaee, Z. (2003), *Financial statement fraud: prevention and detection*, Wiley, New York, NY
- Rezaee, Z., and Riley, R. (2010), *Financial statement fraud: prevention and detection*, 2nd edition, John Wiley & Sons, Inc., Hoboken New Jersey
- Robison, H.D.; Santore, R. (2008), "Managerial incentives, fraud, and monitoring". Working Papers, Social Science Research Network, available at www.ssrn.com (accessed 01 June 2015)
- Rosner, R.L. (2003), "Earnings manipulation in failing firms", *Contemporary Accounting Research*, Vol.20 No.2, p.361-408
- Ryan, H. and Wiggins, R. (2004), "Who is in Whose Pocket? Director Compensation, Board Independence, and Barriers to Effective Monitoring", *Journal of Financial Economics*, Vol. 73 No. 3, pp.497-525
- Salvato, C. and Moores, K. (2010), "Research on accounting in family firms: Past accomplishments and future challenges", *Family Business Review*, Vol. 23 No.3, pp.193-215
- Samaha, K. and Abdallah, S. (2012), "Further evidence on web-based corporate disclosures in developed versus developing countries: a comparative analysis of nature and determinants in Egypt and the UK", *International Journal of Disclosure and Governance*, Vol. 9 No.2, pp.148-180. Available at www.palgrave-journals.com (accessed 01 July 2015)
- The Egyptian Financial Supervisory Authority (EFSA) (2012), "The Audit profession", available at http://www.efsa.gov.eg/content/efsa_en/efsa_pages_en/dir_en.htm Retrieved at 23/02/2014 (accessed 01 July 2015)
- Teddlie, C. and Tashakkori, A. (2009), Foundations of Mixed Methods Research: Integrating Quantitative and Qualitative Approaches in the Social and Behavioral Sciences. California, SAGE Publications, Inc.
- Tong, Y. H. (2008), "Financial reporting practices of family firms", *Advances in Accounting*. Vol. 23, pp. 231-261
- Troy, C.; Smith, K.; Domino, M. (2011), "CEO demographics and accounting fraud: Who is more likely to rationalize illegal acts?" *Strategic Organization*, Vol.9 No.4, pp.259-282
- Uddin, N. (2000), "CFO intentions to report fraudulently on financial statements", *PhD in Management Program*, Rutgers, The State University of New Jersey
- Wahdan, M.A., Spronck, P., Ali, H.F., Vassen, E., and Herik, H.J. (2005), "Auditing in Egypt: A study of the legal framework and professional standards" in *MSM Partners Conference Proceedings, Maastricht School of Management, the Netherlands*, pp.63-74
- Wang, Y., and Kleiner, B. H. (2005), "Defining employee dishonesty", *Management Research News*, Vol.28 No.2, pp.11-22
- Wells, J.T. (2011), *Corporate Fraud Handbook: Prevention and Detection*, 3rd Edition. John Wiley & Sons, Inc., Hoboken, New Jersey
- Zahra, S.A., Priem, R.L., and Rasheed, A.A. (2005), "The antecedents and consequences of top management fraud", *Journal of Management*, Vol.31 No.6, pp.803- 828, available at http://jom.sagepub.com (accessed 01 January 2015)