

## **“Preventing Financial Frud in Saudi Arabia: A Suggested FrameWork”**

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## Abstract:

This paper aims to suggest a theoretical framework in order to prevent financial fraud in the Kingdom of Saudi Arabia. It follows the literature review style as a methodology of conducting this paper. Also, it sheds the light particularly on how some elements, such as accounting education, adopting IFRS, professional ethics, applying modern technology, and governance, can prevent financial fraud or reduce it in least manner. Moreover, the paper discusses some of the global crises and fraud cases that led to bankruptcy, and how that does affect not only the economy but also the whole society. Finally, the paper presents how the five elements of the suggested framework may help and lead to recover a massive of embezzled money in the Kingdom of Saudi Arabia, that could reach up to \$5.77 Billion.

**Keywords:** Fraud Prevention Framework, Accounting Education, IFRS, Professional Ethics, Modern Technology, Governance.

## 1. Background:

### 1.1 Introduction

The greatest crises in the world have impacted workers, owners and societies (Brickey, 2003). After this, the accounting profession has sought to put more confidence and accurate financial records into the corporate environment by introducing additional regulatory requirements such as the United States Sarbanes-Oxley Act of 2002, regulating all areas of accounting and assisting with the transparency of transactions. The same is true to bribery (Oxley, 2007). These controversies have influenced not just the accounting industry, but also the general society at different stages.

A qualified accountant is the result of teaching accounting with ethics and practice courses at universities, as confirmed by the AICPA Code of Professional Conduct (Green & Weber, 1997). Hence, qualified accountants must have specialized skills. For example, the detection and prevention of fraudulent activities and the ethical application of computer skills (Cohen, Crane and Sanders (1996). Nations and societies are regularly affected by many factors. One of the most important problems that can occur is fraud and / or corruption. Fraud is broadly classified into various classes and definitions. However, the most dangerous of them is fraud against employees and management, especially those associated with financial scandals. Prevention strategies to reduce fraud include implementing regulations, procedures and controls, as well as practices such as training and fraud knowledge (CGMA, Fraud Risk Management, 2012). Also, new technology such as blockchain can help reduce fraud. Additionally, corporate governance can be a useful tool for companies to avoid making unfair decisions and, moreover, it will make creative accounting and fraud less likely.

Since fraud is one of the most important problems that impact the economy, researchers agreed that the elements which play an important role in fraud prevention had to be examined and, therefore; the authors design the collaboration of five elements together to accurately prevent financial fraud in Saudi Arabia.

### 1.2 Statement of the Problem

Fraud includes every activity that is done by someone to get another person's assets (Albrecht, Albrecht, Albrecht, & Zimbelman, 2011). Most of the time, there is tremendous financial pressure, which can contribute to misrepresentation and financial scandals, especially when there is a good opportunity. Good ethics, policies and controls that reduce the extent of deception can be followed by all forms of companies and education organizations. This would essentially raise the identification level of criminal activities and discourage the perpetrator from being able to conduct fraud easily. If effective and reliable protocols to identify criminal activities are not developed, the risk of fraud will increase.

Some fraud cases affect only particular units, while others affect the entire firms' operations, such as WorldCom, Enron, and Xerox. Management fraud is one of the forms of fraud also known as 'financial report fraud' and refers to senior management activities, which aim to mislead the financial statements (Zahra, Priem and Rasheed, 2007). The major incidents of fraud are typically in connection with financial statement fraud in major companies such as Enron, WorldCom, Tyco and Phar-Mor (Albrecht et al., 2011). Sarbanes-Oxley (SOX) was created as a result of the corporate accounting scandals that occurred during 2000–2002. The Sarbanes-Oxley Act established some control over companies, to eliminate or reduce the existence of the fraud triangle. The intent of SOX was to protect investors and shareholders, by improving the reliability of corporate disclosures in financial statements and their accuracy. However, many people criticized the Sarbanes-Oxley Act (SOX). They claim it's not really important and too expensive to apply SOX and its eleven names.

Various research centered on accounting education and creation of accounting curricula to provide accountants with the expertise to battle fraud, especially after major fraud and embezzlement operations such as Enron, World Com, Xerox and others. According to Ahadiat & Martin, 2015, the accounting curriculum should be updated to build greater skills, training and characteristics for students such as: trustworthiness, competence, punctuality, cleanliness, oral communication skills, and productivity. Yet weak financial statements may have a detrimental effect on the company's performance and the economic decisions (Mahboub, 2017). Adequate consistency of financial statements needs tight internal monitoring and effective fraud management. In 2017, IFRSs were implemented in Saudi Arabia. The implementation of IFRS is targeted at enhancing the standard of financial statement. Even so, more ethical ethics and rules are desperately required to deter financial frauds. Because of the absence of ethical standards, after the collapse of Enron and other firms. There have been concerns about variables that shape accountants' conduct and the degree of their adherence to ethical standards. Interestingly, Blockchain is a modern technology that can be adopted in order to detect financial frauds (Shah, 2019). Using the technology of the blockchain is to play a remarkable role in eliminating or detecting frauds and financial scandals. The technology can be used in banking, insurance and other financial industries. Corporate governance recently captured the interest of researchers. According to (Al-Motaz, 2008), numerous scholars and thinkers found out that corporate governance has a key aim a separation of ownership and management owing to the disputes between owners and administrators, which would contribute to enhancing the control and monitor of organizations environment for fraud detection.

To the best of the authors knowledge, there are very few studies in Saudi Arabia on financial fraud and none of these studies had proposed a framework to prevent fraud. The researchers believe that the implementation of these five elements will contribute to reduce and prevent fraud activities in Saudi Arabia.

### 1.3 Paper Questions

The questions of this paper are planned to provide input on the issue of preventing financial fraud in Saudi Arabia and to determine whether these elements have an impact on reducing fraud prevention. Paper questions were the central questions used to direct the analysis of Five elements of the presented framework to prevent fraud.

#### The main paper question is as follow:

How can accounting education, adopting IFRS, professional ethics, applying modern technology, and governance, as a set, prevent financial fraud in Saudi Arabia?

#### The sub-questions are as follow:

- 1) What is the function of accounting education in financial fraud prevention?
- 2) Does IFRS presence mitigate financial fraud?
- 3) How can professional skills have a financial fraud preventing mechanism?
- 4) How do new technologies lead to preventing fraud?
- 5) How relevant is governance in preventing fraud?

### 1.4 Purpose of the Paper

The aim of this Literature paper is to suggest specific elements that contribute to eliminate financial frauds. These elements, as a set, are the accounting education, adopting IFRS, professional ethics, applying modern technology, and governance would provide a suggested cohesive framework. Moreover, the paper sheds the light on the Saudi Arabia Vision 2030, with the focus on financial fraud, and explores their impact on the accounting system. The findings of this paper are likely to be used by different entities, both private and public, in determining and eliminating frauds, or reducing them in last manner. This comes through detecting the shortcomings of the five elements of this paper, by either governmental or private entities.

### 1.5 Significance of the Paper

Fraud occurs when a victim experiences a loss of income on the grounds of a misrepresentation created by an entity or a corporation knowingly (Simmons, 1995). The pandemic COVID-19 and the subsequent economic shutdown also facilitated significant disruptions in relative demands and corporate resources that often raise the risk of fraud in the coming years (Karpoff, 2020). As a result of COVID-19 and during the lock-out era the number of such transactions has risen, fraudulent transactions are growing quick as well (Bandyopadhyay & DUTTA, 2020).

On the basis of the Kingdom of Saudi Arabia economic reforms and the vision of 2030, which seeks to reduce the oil dependencies of Saudi Arabia and emphasis on different aspects of the country that can lead to the economic growth of the country. This Vision 2030 seeks to change the nature of the Saudi economy and for all Saudi people to contribute to it, and this means having a better and more transparent financial system, where fraud and corruption are greatly reduced. As fraud cases have been increasing, forensic accountants and fraud examiners are in demand (Liu & Vasarhelyi, 2014). However, poor financial statements can have a significant influence on business efficiency and economic decisions.

This paper contributes to knowledge in accounting fields by presenting a proposed framework to prevent financial fraud in the Kingdom of Saudi Arabia by reviewing the literature, as this paper would concentrate on the importance of cooperation between all elements of the framework since it plays an important role in minimizing fraud operations including advancement of accounting education, professional ethics, adoption of international financial reporting principles, and the usage of new technologies in the application, and finally corporate governance.

### 1.6 Paper Methodology

A literature review style is undertaken on the elements that help in preventing financial fraud, these being: accounting education, adopting IFRS, professional ethics, applying modern technology, and governance. The paper would seek to establish a suggested framework for preventing fraud in the substance of the previous five elements as a set in Kingdom of Saudi Arabia.

### 1.7 Paper Limitations

This paper is limited to establishing a suggested framework in order to prevent financial frauds in the Kingdom of Saudi Arabia, that are done by shedding the light on only five elements, which are Accounting Education, Adopting IFRS, Professional Ethics, Modern Technology, and Governance, and by the explanation of the role of all these elements in preventing financial fraud. Where the authors are not exposed to the influence of any other factors on the financial frauds other than the above-mentioned elements. Also, this paper is limited to the environment of Kingdom of Saudi Arabia with the particular related factors to financial fraud and into the prevention of fraud.

### 1.8 Paper Organization

The paper is organized as follows. Section 2 discusses some literature reviews that are related to the paper area. In Section 3, includes the analyzation of the literature reviews. While Section 4, presents the suggested framework to prevent financial fraud in Saudi Arabia. Finally, paper's conclusion and recommendations are presented in Section 5.

## 2. Literature Review

While fraud continues to emerge as a greater and more expensive threat than ever, organizations across the world need, if not a must, to improve their capacity to ensure that they are ready and prepared to resolve fraud threats. The accountant's duty to detect and prevent fraud from rising due to the increase in financial scandals.

Accounting education and practice has changed as a response to these scandals. Most schools revise their accounting curricula and offer to their classes ongoing coverage of corporate accounting scandals (Titard, Braun, Meyer, 2004). Although having a well-educated accountant will help detect and prevent fraud, they do need to have standards on which to rely.

IFRS can be both helpful and difficult to adopt. Using IFRS will reduce the variety, uncertainty and potential for errors in the financial reporting process. Several factors which offer insufficient financial information to stakeholders may affect quality financial reporting. Fraud management in companies is one of these factors (Saito, Hiramatsu, & Mayangsari, 2012).

Customers, administrators, and workers all respect honest and ethical practices. For that, accountants on whom managers, owners, and potential investors rely on their training to make economic decisions based on information received by them (Stoniciuviene & Naujokaitiene, 2013) are predicted to demonstrate high-level professional competencies and maintain proper professional behavior in the discharge of their functions. Such professional behaviors are regulated by ethics which dictate professional conduct (Nwanyanwu, 2018).

Increasing reliance on new technologies, such as cloud and mobile computing, has compounded the financial fraud problem in recent years. Traditional approaches involving manual detection are not only time-consuming, costly and imprecise, but also impractical in the age of big data (West & Bhattacharya, 2016). Like the Internet, Blockchain is a transparent, global network that allows businesses and individuals making transactions to cut the middleman, the transaction costs, and operate through third parties over time (Underwood, 2016). Blockchain may be used to avoid fraudulent transactions and to detect them (Dai, Wang, & Vasarhelyi, 2017). In addition to have educated accountants following IFRS principles and showing professional ethics and using modern technology, the authors believe that if the firm focuses on using governance to make it more regulated and help reduce fraudulent activity.

The theory of the agencies indicates that external governance structures (e.g., activist shareholders, corporate control sector, financial analysts) may prevent managers from acting opportunistically. It also implies that internal governance reduces the asymmetry of information between those inside and outside the organization, and thereby reduces the likelihood of fraud (Shi, Connelly, & Hoskisson, 2017).

### 3. A suggested Framework to eliminate financial fraud

Based on the review of earlier researches, this paper suggests a fraud prevention framework (see Figure 1). This framework focusing on all the five elements together, as a set, that the authors believe it does help to reduce financial frauds. The five components are (1) Accounting Education; (2) Adopting IFRS; (3) Ethics; (4) Modern technology; and (5) Governance. On the following We provide a brief description of our suggested framework.

#### 3.1 Accounting Education

Kelly et al. (1999, P:321) claim that "... we believe that in our fast-changing society we must produce graduates who have learned how to learn, and who are capable of continuously adapting themselves to help in the ongoing development of society". Education in general and curricula at universities in specific, prepare students with information and skills that meet the needs of the labor market (Dreyer, 2014). Caliyurt & Crowther (2006) stated that accounting academics should review their educational curricula to educate students in accordance with the developments in society. Most studies have stated the importance of having forensic accounting courses, especially in the wake of scandals such as Enron, WorldCom, Tyco International and others. Since then the accounting profession has greatly changed due to the growth of frauds, embezzlements, and the collaboration between the head managements of each company with the accountants and the auditing firms. This situation led to rising rates of litigation, judicial debates, and the need for a professional forensic accountant as well (Ramamoorti, 2008). Besides the most popular scandals, there would be fraud cases that have not been discovered or even reported. Forensic accountants are needed in all areas of business even by government agencies such as the CIA (Ramaswamy, 2005). As a result, several universities around the world have started focusing on Forensic Accounting as a major course or program.

Creating a forensic and investigative accounting section by The American Accounting Association (AAA) clarified the importance of having these courses at the universities. In 2002 the Association of Certified Fraud Examiners (ACFE) assisted US universities to develop their forensic accounting courses (Seda & Kramer, 2015). In 2003 West Virginia University initiated an excellent forensic accounting curriculum with expertise in financial statement scandals (Fleming et al., 2008). Utica College was one of the first Business Schools to teach students Forensic Accounting in 1987. Moreover, in 2004 the School of Business at Utica College began Bachelor and master's degrees with a forensic accounting major (Curtis, 2008). Hegazy et al. (2017) stated that only a few UK academic community have incorporated forensic accounting in their research studies or even created special courses and programs.

While forensic accountants learn how to prevent and detect fraud, improving the forensic accounting curricula at a university will build auditor skills. Educators and practitioners' have deferent opinions regarding the forensic accounting curriculum and teaching methods (Kramer, Seda, & Bobashev, 2017). Ihendinihu (2016) investigated the fraud examiners' skills that were needed in a developing country, especially in a nation like the Kingdom of Saudi Arabia. Tiwari (2017) advises universities to develop forensic accounting education by considering the required knowledge and skills. Very few

studies have been done on frauds and forensic accounting in such a huge country like KSA. One such rare analysis was related to forensic accounting education in Saudi Arabia. It explained the significant differences between auditing and forensic accounting, and asserted the importance of teaching forensic accounting in a separate course at the Saudi universities (Al-Saad, 2013). Moreover, Al-Saad (2013) noted in his paper that King Abdul-Aziz University does not have a specialized program for forensic accountancy, and it is time to do this. Implementing courses and majors focused on forensic accounting should be mandatory and help to prevent future financial scandals.

### 3.2 Adoption of IFRS

The economic system of Saudi Arabia has both private and free enterprises drawn from the religious teachings as well as social traditions. Saudi Arabia is the largest producer of oil in the world discovered in 1938 (Al-Mubarak, 1997). The financial system plays a critical role in the economic development. The business method of Saudi Arabia comprises of three main components including commercial banks, specialized credit institutions (SCIs) owned by the government and Saudi Arabia Monetary Agency (SAMA) (Al-Mubarak, 1997). The financial systems associate within the accounting profession that enhance quality financial reporting. The accounting profession was introduced in Saudi in 1965 by the Company Act which aimed to regulate the accounting and audit rules (Nurunnabi, 2017). The Company Act critically deals with all the concepts of accounting but relies more on auditing rather than accounting.

The Act was the first regulation body that introduces the concepts of accounting in the country. The Act requires partnerships, corporations and all limited liability companies to have either one or more auditors to practice within the state. In 1974, the Accountant's Law came into use which was in 1992 superseded by Certified Public Accountant's regulations (Nurunnabi, 2017). The law aimed to set critical standards relating to the auditors. Later, Saudi organization for Certified Public Accountant (SOCPA) came into use through Article 19 of the Company Act (Al-Mubarak, 1997). SOCPA aims to make financial systems within Saudi more active and able to comply with the accounting law. SOCPA also ensures that the concepts of financial statements are in line with all the accounting guidelines and promotes useful disclosure of all financial information. Although Saudi Arabia had several bodies governing the accounting and financial practices, there is the need for standards that can relate to the international businesses. In 2012, the finance department aimed to adopt the IFRS used in many nationals around the world (Nurunnabi, 2017). The new accounting standards are meant to provide confidence to both local and international investors similarity and enabling them to quickly judge the operations of the listed companies in Saudi Arabia. The IFRS implementation took place in 2017 allowing 173 listed companies to adopt the international accounting concepts.

The emergence of business and market globalization creates the importance of quality financial reports in both domestic and international world. In the current business operation, producing financial statements that are of high quality is critical to all the stakeholders of the company. The stakeholders need quality financial reports to decide on their investment, creditworthiness and the value of the company among others. Many studies on quality financial reporting affirm that there are adequate benefits from accurate financial statements (Al-Dmour, Abbod & Al-Balqa, 2018). Financial reporting tries to give all the necessary information that helps the users to make viable economic decisions about their companies. Quality financial reporting, therefore, involves the accurate financial information describing the operations of the company. However, poor financial reporting can negatively affect the performance of the company and economy decision (Mahboub, 2017). Managers try to manipulate the financial reports for their personal interests and thus providing financial reporting information which is inadequate to the stakeholders. Deficiencies of high-quality standards relating to financial reporting led to incomparability, inconsistency, lack of trust and reduced transparency of all the financial statements provided by the company. Quality financial reporting might be affected by several factors which offer inadequate financial information to the stakeholders. Quality financial reporting might be affected by several factors which offer inadequate financial information to the stakeholders. One of these factors is fraud management in companies. There are many objectives for adoption IFRS one of them is to enhance the quality of financial reporting. Obtaining an appropriate quality of Financial Reporting requires to have a strong internal control and a good fraud management.



### 3.3 Ethics of Accounting Profession

The ethics of accounting profession is a set of behavioral principles and moral values, whether they come by individuals or groups. Structure of professional ethics may be divided into three dimensions, such as laws and legislations, educational and social processes, and finally personal beliefs, (Al-Beltagy, 2017). Having high ethics is a significant component of leading entities to success. With the occurrence of global financial crises such as the Enron case and others, it became clear that there is an urgent need for more professional ethics and rules to prevent such crises from occurring. For example, Arthur Anderson's office earned 25 million dollars in Enron audit fees for the year of 2002. Moreover, the office received additional 27 million dollars during the same year to provide some consulting services to the same company, which is a violation of the accounting profession ethics nowadays, (Al-Moataz, 2008). It is unacceptable to confuse the provision of consulting services to a client and do the audit process for him/her within the same time. This conflict of interest was one of the points touched by (SOX) in 2002.

In addition, the Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia, declares in Rule Number (506), which is related to consulting services, that “a practicing member may engage in activities that do not conflict with the rules of conduct and ethics of the profession, provided that the professional works that complement the nature of his work, such as submitting studies And financial, accounting and administrative consultations and businesses of a consultative nature, provided that these works do not combine with conducting audits of one client at a time”. It is critical to establish a law for the accounting profession in a way that links the ethical side with the profession. The existence of these ethics regulations is considered an ethical guide for the accounting profession, which is to be followed by practitioners, (Al-Jasser, 2019). In return, this will prevent or reduce the chances of such financial frauds to occur, as a part of applying the suggested framework factors.

Since the fall of Enron and other companies, as a result of lack professional ethics, questions have been raised regarding the factors affecting the behavior of accountants, as well as the extent of their commitment to ethical rules. These questions have also reached educational policies and their role in directing practitioners toward adherence to profession ethical rules, in order to raise their ethical level. It is necessary for educational institutions and universities to have a role in building these ethical principles, which can be accomplished by engaging students in discussing accounting ethical issues, in order to increase the morals among students; and modern teaching methods must be used as well (Al-Beltagy, 2017). In order to successfully implement the proposed framework and activate its elements to reduce the level of frauds, a considerable attention should be paid to teaching professional ethics and establishing ethical rules for the student to be taught. This can be done by adding independent courses with these rules and ethics of the profession, which will lead to develop the educational system and the curriculum, (Al-Beltagy, 2017). The implementation of these policies and the development of the educational process will contribute significantly to reducing the level of embezzlement, especially in light of the integration with the rest of the proposed framework elements.

### 3.4 Application of Modern Technology

Technology is racing and being developed with the passage of time. Also, network systems and artificial intelligence have been evolving significantly in various sectors, including business and accounting area. As a result, these developments should be highly considered by business entities in order for them to use them for their benefits. One type of these modern technology that has emerged recently is the blockchain.

Since the emergence of this blockchain technology, there have been questions raised whether it plays a direct or indirect role in detecting fraud cases. Blockchain is simply known a series of connected blocks, where they cannot be tampered. Each block contains a transaction that has been done and registered with irreversible change, where all “transactions are permanently recorded and observed by all nodes, and blocks cannot be deleted” (Texas State Board Report, 2018, P: 3). All transactions are recorded on network computers at the time they occur, and a creation of distributed digital ledger is implemented as well. Furthermore, these blocks are publicly shared among users and not controlled by one party. Blockchain is a modern technology that can be adopted in order to increase the possibility of dealing with fraud cases (Shah, 2019). Additionally, blockchain is a system that ensures against hacking, the ability to alter records, and fraud. Investing in a blockchain should be a realistic act, not just theoretical, as this technology has reached the level of international discussion, (Roberts, 2019). With all advantages of the blockchain technology and its capability of transactions control, it must be a positive instrument on detecting such financial frauds. In a word, using the technology of the blockchain by combining it with the other suggested framework elements is to play a remarkable role in eliminating or detecting frauds and financial scandals.

### 3.5 Corporate Governance

The term “corporate governance” characterizes the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account. (Australia. HIH Royal Commission. & Owen, N. J., 2003). Corporate governance has three key components which are internal audit, internal control, and external audit. Internal audit is seen as the most significant in decreasing fraud level among the three CG components (Khan, 2011). Because of the growing sophistication of fraudsters which creates complicated problems for auditors and higher management, Internal audit is probable to add value over enhancing the control and monitoring environment in organizations to detect fraud (Bunget, 2009).

According to (Al-Motaz, 2008) many authors and thinkers mentioned that the main purpose of corporate governance is the separation between ownership and management because of the conflict of interests between owners and managers. The owners do not have enough information about management’s behaviours and management’s decision. Also, they are eager to have dividends as soon as possible regardless of the state of economy or business. On the other hand, the managers eager to manage appropriately an organization rather than distribution dividends for the owners.

In this suggested framework, the authors suggest that corporate governance has a significant role to create a strong internal control system in organizations which will lead to reducing financial fraud and to increasing safeguard of organizations' assets.

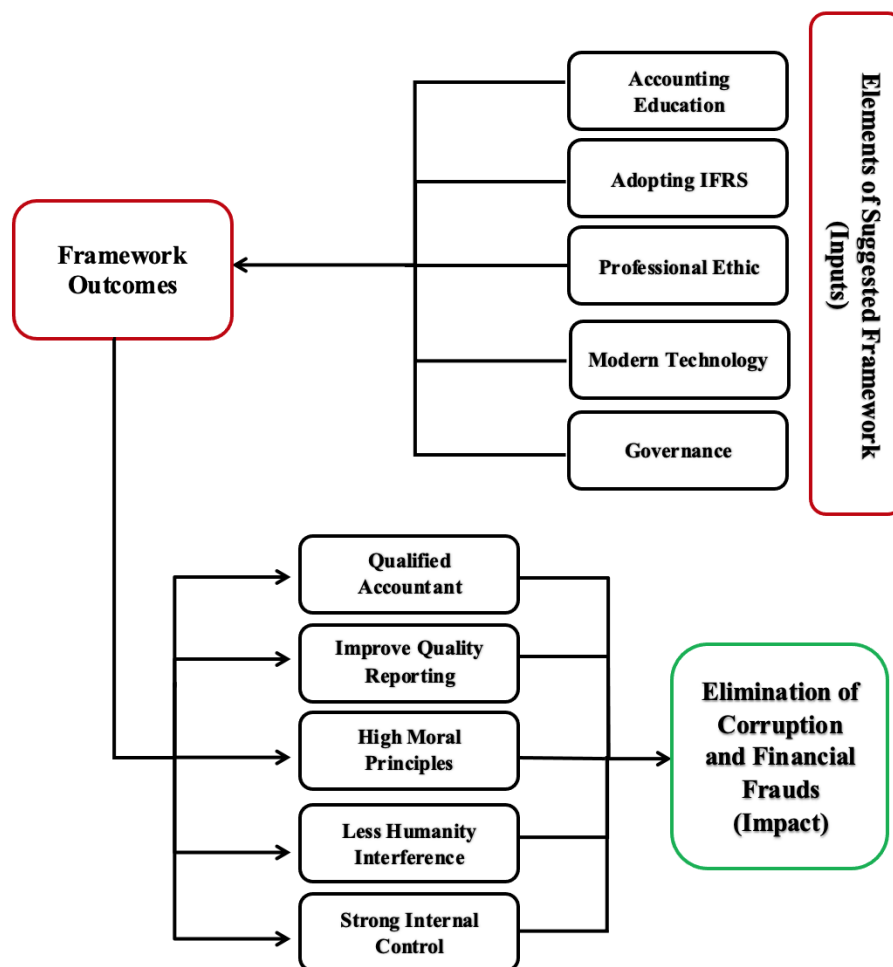


Figure (1) – A suggested Prevention Fraud Framework



The above suggested framework shows how the five elements work together, as a set and as inputs to the framework, in order to combating frauds and prevent them from occurring. This comes through the framework outcomes, presented in qualified accountants, reporting quality improvements, high moral principles, less humanity interference, and finally strong internal control. The authors believe that the implementation of the five imputes of the framework, as a set, will definitely lead to the minimization of the frauds, or to the prevention in best scenarios.

Within the above context of the Saudi Arabis 2030 vision, the General Accounting Bureau (previously the General Auditing Bureau) is an agency that monitors the performance of government agencies and ministries in the Kingdom of Saudi Arabia and aims to control all public revenues and expenditures of the Kingdom. In a new indication of the impact of the leadership's interest in combating corruption and its continuous support for the regulatory agencies in their tasks, the General Accounting Bureau during the fiscal year 2019-2020 had successfully recovered to the state treasury more than 20 billion Saudi Riyals, which is an increase over the previous fiscal year that exceeded 11 billion, by 127%, (<https://www.alriyadh.com/1788135>). The percentage of collection of disbursed sums due to lax enforcement of regulations, which proves the importance of the five elements of the suggested framework in detecting and fighting corruptions. By having a strong accounting education system and IFRS adoption and application, the fraud detection become easier. Moreover, this leads to have more professional ethics and a better level of governance. Finally, with regard to the electronic link between the Bureau and the bodies covered by its control, through the electronic monitoring system (comprehensive), it is clarified that the connection has actually been made with more than 270 government agencies. In other words, this proves that using modern technology is useful in detecting and competing frauds.

#### 4. Suggestions and Conclusion

In this literature review, the authors illuminate the great struggle between good and bad. Financial fraud, as an example of what is bad, can happen anywhere at any time and cannot be completely eliminated. Throughout history and the business world, several corporations have collapsed due to false financial statements being presented by Enron, WorldCom, Tyco, and Phar-M. However, the best way to minimize fraud possibility is by applying elements including investigative pressure, opportunity and rationalization of what has happened. Since the easiest controllable element of the fraud is an opportunity, SOX in the United States aims to reduce the possibility of frauds' occurrence by increasing controls and enforcement on risky areas. Based on the conducted paper, the number of fraud cases dropped sharply following the instituting of SOX. There might be another possibility that most of the existing fraud was already discovered before SOX during 2000-2002, and SOX is just a waste of time and money. Even if this is accurate, the authors believe that SOX is providing particular measure of control over fraud occurrence.

The birth of SOX and the scandals involving financial statements fraud caused many universities to start courses on investigative or forensic accounting, in response to the rising tide of financial scandals. Most developing countries are eager to shed some light on forensic accounting because corruption means that funds do not go to their governments' treasuries. One of these countries that needs to be very alert to this problem is the Kingdom of Saudi Arabia. Saudi Arabia's Vision 2030 focuses on having a prosperous economy and teaching forensic accounting by its universities and academic associations. This means, employing people with the appropriate skills to detect such frauds, and to help the economy and the business world operate in a legitimate way.

In conclusion, this paper mainly aimed to reduce financial fraud in the Kingdom of Saudi Arabia, by providing a suggested framework. The finding of this paper shows that having well-educated accountant may not be sufficient, without taking in consideration some other factors. Elements such as adopting IFRS standards, having professional ethics, using modern technology, and effective corporate governance may play a visible and a valuable role, as a set, in fighting and preventing some types of frauds.

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## "منع الاحتيال المالي في المملكة العربية السعودية"

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### الملخص:

هدفت هذه الدراسة إلى اقتراح إطار نظري يساهم في منع الاحتيال المالي في المملكة العربية السعودية واتبعت الدراسة المنهج الوصفي كأسلوب لمراجعة الأدبيات. ألفت الدراسة الضوء بشكل خاص على دور كلاً من العناصر الخمسة التالية في منع الاحتيال المالي أو الحد منه بأقل قدر ممكن، مثل: التعليم المحاسبي، واعتماد المعايير الدولية للتقرير المالي، والأخلاقيات المهنية، وتطبيق التكنولوجيا الحديثة، و الحوكمة. علاوةً على ذلك؛ ناقشت الدراسة بعض الأزمات العالمية وحالات الاحتيال التي أدت إلى الإفلاس، وكيف يؤثر ذلك ليس على الاقتصاد فحسب، بل على المجتمع بأسره أيضاً. وأخيراً، تعرض الدراسة كيف يمكن للعناصر الخمسة المكونة للإطار المقترح أن تساعد وتؤدي إلى منع الاحتيال المالي في المملكة العربية السعودية ومدى مساهمتها في استرداد كميات هائلة من الأموال المختلسة في المملكة العربية السعودية والتي يمكن أن تصل إلى 5.77 مليار دولار.

**الكلمات المفتاحية:** إطار مقترح لمنع الاحتيال، التعليم المحاسبي، المعايير الدولية للتقرير المالي، أخلاقيات المهنة، التكنولوجيا الحديثة، الحوكمة.