

# The Impact of Strengthening the Judicial Accountability of Corporate Governance in Order to Combat Corruption in the Companies Listed in the Financial Markets

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## Abstract

The aim of this study is to discuss and analyse the reasons for the collapse of one of the huge energy companies (Enron), which resulted in its collapse to the collapse of the largest auditing firm in the world (Arthur Andersen) to prove their involvement in manipulations of finance which was Enron, and then see recent changes to the corporate governance because of those collapses, and the views of the surrounding environment in the United States, the possibility of the application of those changes on the ground. The study concludes that: both collapse of Enron, and Arthur Andersen are due to specialised ethics, Arthur Andersen did double job to Enron, and which was a clear violation to the rules, The financial market authorities was responsible to those collapses due to shortage of control, most of the companies and auditors face difficulties in applying new rules of corporate governance, and main problem arise in ethics not in the rules controlling corporate governance.

**Keywords:** judicial accountability, corporate governance, corruption, financial markets

## 1. Introduction

Since the collapse of the leading companies in the world succession in accelerator, and the world is trying to find appropriate solutions to prevent such collapses because of its significant negative impact could lead to the collapse of the economy of fully, I've had the collapse of Enron Energy, and the subsequent collapse of the greatest auditing firm in the world Arthur Anderson, to prove involvement with the collapse of Enron and a negative impact on the markets of the United States of America. The government is confused, which began looking for the reasons that led to those unexpected breakdowns occur. All the analyses showed that were conducted to identify the causes of landslides that occurred a defect mainly in the ethics and practice of accounting and auditing, and building upon the U.S. government in 2002 to develop new legislation called the Sarbanes-Oxley Act have been obliging listed companies financial markets the U.S. to implement.

The researchers will familiarised themselves with all necessary things to answer their questions and analysed by eating all the books on the subject of research in periodicals and specialised professional party sites via the internet. Also, the researchers can be see that this topic a high degree of importance, and can be utilised at the local level widely, institutions of Jordan on knowing the reasons that lie behind the collapse of the companies the greatest country in the world despite the existence of standards and codes developed by the extreme, whether the solutions created by the indicator contributed to the solve problems? It could be argued that what happened in the United States of America is a lesson we must take advantage of it effectively.

All the legislation in general, and legislation governing companies, in particular, is the legislation stems from sociology and depends developed tests and the discovery of errors, and this is what actually happened in the United States, where there was legislation governing companies working in it, but in the era of short amount of time that many landslides occurred, which warned that there is a lack of such legislation previously in force, and it is time to update and develop effective to make them more efficiently to address past mistakes. The problem of study can inventory to finding answers to the following questions:

1) How did the collapse of Enron Energy company, Inc. and Arthur Anderson?

- 2) What does corporate governance means, and its modern concept, according to the U.S. legislation, which was developed in 2002?
- 3) Is corporate America was able to apply the new legislation? What are the obstacles they faced in the application?

### *1.1 Objectives of the Study*

It is known that existing legislation in an environment of listed companies in the financial markets need constant renewal, especially if what emerged out any deficiencies or lack of success and threatens the continuation of those companies, on the basis of this fact, this study aims to:

- 1) Identify the causes that led to the collapse of Enron Energy Company, Inc. Arthur Anderson audit.
- 2) Identify the nature of corporate governance, and what the modern concept and according to the U.S. legislation, which was developed in 2002.
- 3) Identify how America's corporate ability to implement the new legislation, and what obstacles they face in light of its application.

### *1.2 The Importance of the Study*

The importance of this study, found from the importance of the role played by companies in the development and strengthening of the economy in general, and the collapse of companies will have signed a painful financial markets, and thus declining rates of development, worsening unemployment and the subsequent worsening the problems of poverty and political instability, and all the facts mentioned above, the knowledge of the reasons for the collapse of global companies in developed nations like the United States of America, and knowledge of legislation issued by its role in the prevention of landslides in the future, will be an important lesson can a developing country such as Jordan take advantage of it in position to take the experiences of others without charge, and utilise them to avoid what you can get from the stalls for our communities, and thus avoid the economy from the evils of the richness of it.

### *1.3 Methodology of the Study*

This study is based on the descriptive analytical deductive approach, so by identifying the reasons that led to the collapse of the leading companies in the United States of America, and to identify the corporate governance concept to talk, and the ability of companies to be applied, and to identify the problems encountered during the application. As the researchers will investigate information and facts as possible, and private in order to search, due to the recent emergence of corporate governance concept to talk, and thus the lack of local results on the implications of their application in Jordan, will depend researchers mainly on research and global studies via the Internet, and analyse the results, and then propose some recommendations that may contribute to give a useful reference for Jordanian companies, and thus protect the local economy from any future risks.

### *1.4 Data*

Emphasis will be placed on all possible sources of the sites available on the internet and by focusing on sites world leagues in general, and sites universities in particular, and in order to derive the latest developments of the collapse of the companies in the United States of America, and corporate governance concept to talk, and the possibility of U.S. companies applied.

## **2. Reasons for the Collapse of Some Companies in the United States of America**

The collapse of Enron and the subsequent after the collapse of Arthur Andersen audit raised several questions at the level of the profession of accounting and auditing, the most important, how they were to collapse? Why is that? and who is responsible? The greatest tragedy is that those two companies are working in the greatest country in the world famous and its accounting and auditing environment advanced development and unprecedented for possession of accounting and auditing standards are almost the earliest, if not the most advanced standards of international accounting and auditing idealism.

Before going into the subject and its details and merits the researchers would like to ask spontaneously, if a thief could break into the fortified Bank best protection systems and escape without being controlled only after a long period, is the responsibility rests with theft thief only? Or the protection system, which in the absence of the loophole to exploit what has thief stealing?

Having briefed researchers on the merits of the collapse of Enron show them that the subject has the merits of old and plan manipulation court roots to 1993, but not the attack, which happened on the United States in 11/9/2001 and damage to the financial market have remained the thief on the run from the point of justice and

remained manipulation hidden to order no one knows except God Almighty. This is the case and the scandal of contemporary issues important to have had the effect of a terrible, not the United States, but the entire world, on the one hand is the Enron of the largest companies in the world and working in the field of gas and energy and has many branches and many, on the other hand, it is known that Arthur Andersen audit is one of the world's largest auditing firms, it is the first in terms of size, prevalence and estimated number of employees around the world nearly a hundred and sixty thousand employees (Powers, 2002).

Has caused the collapse of those companies may be difficult to restrict losses at the present time, not to mention the workers and employees who lost their jobs as a result of collapse. The researchers believe that the collapse of these two companies and despite the great tragedy, but it is a very important lesson requires the many studies and stand on its causes, must be the specialised agencies shall return the accounts, and most important of these entities:

- 1) All governments, particularly the United States.
- 2) Jean put calibrator accounting and auditing standards.
- 3) Companies in various forms and types.
- 4) Accountants and auditors.
- 5) Company owners and creditors.
- 6) Laws and regulations related to corporate and capital markets.

### **3. Report of the Committee of Inquiry on the Company Enron**

He has Board of Directors of Enron set up a investigation committee to find out to find out what exactly happened and you have the really huge and report, which shed light on the processes that took place between Enron and some investment companies, which were managed by Andrew S. Fastow, who was also working as Assistant Chairman of the Board and President of the company for the financial section Enron.

It is important to mention that the report focused heavily on those operations of the two main aspects, the first aspect of accounting for such operations, and the second side of disclosure. Note that it did not authorize the inquiry, investigation in the case of bankruptcy or express any opinion or judgment about external conditions that contributed to bankruptcy. We must mention here that the most important determinants faced by the Commission's work was by (Powers, 2002):

- 1) There is no validity to force external parties' concerned and subjected to interrogation or force them to make any kind of documents relevant to the topic.
- 2) The refusal of some former employees and involved a lot of calculations that led to the collapse of cooperation with the Commission, notably both Fastow and Micheal J. Kopper and Ben F. Glisan.
- 3) Although the committee was able to reach some of the auditing firm Andersen documents but they could not reach investment firms documents that caused the collapse.

Summary of the event as stated in the securities commission (Powers, 2002): 16/10/2001 Enron announced reduced profits of 544 million US\$ resulting from transactions with Investment Company (LJM1 & LJM2), With the knowledge that these companies are partnered with Enron, which was created and managed by Fastow (Enron employee) and also announced a reduction of shareholders' equity of 1.2 billion US\$ associated with the same previous operations. The real problem began a few months after the first announcement as announced Enron restructuring of its financial statements for the period between the years 1997–2001 reasoned that because of errors accounting and related companies, partnership and investment managed by Fastow and Kopper (former employee of Enron and the owner of the company Chew Co.) And companies are Chew Co, LJM1, and LJM2. It is worth mentioning here that the restructuring of the financial statements for the period from 1997–2001 showed reductions than the first ad in the 16/10/2001 where it is illustrated in the following table.

In that period, the company Enron detects that Fastow received 30 million US\$ from the two LJM1 and LJM2. Restructuring of the financial statements as the above-mentioned information amounts received by Fastow made the market loses confidence company Enron, which led to the collapse of less than a month and declare bankruptcy.

Table 1. The collapse of Enron

amount of increase indebtedness	Owners' equity reduction	Profit reduction	profit before reduction	year
711 m	258 m	28 m	105 m	1997
561 m	391 m	133 m	703 m	1998
685 m	710 m	248 m	893 m	1999
628 m	754 m	99 m	979 m	2000
<b>2,585 B</b>	<b>2,113 B</b>	<b>508 m</b>	<b>Total of reduction</b>	

#### 4. Including Summary Discovered by the Commission of Inquiry

After the Committee examines the key processes related to investment firms mentioned earlier, which caused lower profits and property rights has been able to answer the following questions:

- What are the processes that have been regarding the subject?
- Why were these operations?
- What is wrong happened?
- Who is responsible?

No need to mention here that the most important things that we found the Commission, which did not disclose his company Enron is that some of the staff involved such transactions suddenly become rich and received several sums exceeding tens of millions which are not supposed to get it, namely:

- 1) Fastow received 30 billion US\$.
- 2) Kopper received 10 billion US\$.
- 3) Two had two did not disclose their names million US\$ each.
- 4) Others received did not disclose their names several hundreds of thousands US\$.

Of the important observations made by the Committee is that with the exception of Fastow did not have any kind of evidence condemning the rest of the staff. The committee adds that the management of Enron used these investment companies in several operations was not a duty or necessity access originally, since most of these operations are designed very nicely in order to manipulate and demonstrate financial statements well serve special interests, and moved away from those operations from the goal of economic benefit or hedging for future risks. Some of these processes are thoughtfully designed, did not follow the procedures and generally accepted accounting principles, and as a result of failure to follow those principles that is not shown in the lists of investment companies company Enron financial assets and liabilities. It is also there are other processes have been applied incorrectly and incorrect and approval of financial advisers, where they were extinguishing some of the losses resulting from the hedge phantom, with the knowledge that those operations if it were true it would have to result in a profit of Enron, where Enron is prudent, thus was the investment companies must compensate for the losses, but how can it if the Enron company is the owner of these companies and this property has been hiding very nicely and did not appear only when the event occurs (collapse).

This process is the most dangerous process has contributed to the collapse of the company, as they showed in previous years, the fake profit billion increase for real profit. It became clear to the commission, after examination and investigation that the original accounting transactions that have taken place with companies LJM1, LJM2 Chew Co, which led to the collapse, structured operations were false and contrary to generally accepted accounting principles, with the knowledge that those operations conducted under the approval and supervision of auditors and consultants company Andersen external and evidence of that amount Payees versus those consulting and 507 million US\$, which was mentioned in the report of the Board of Directors. It must be noted here that those operations misconceptions regarding the structuring of the so-called (companies with special purpose) special purpose entity, and states laws and principles accepted accounting principles, that the company is dealing with this kind of companies can be treated as independent if the following conditions are true:

- One of the companies dealing owners with traded with those companies including at least 3% of their assets, and must be seen to this ratio of 3% as containing some of the risks when you perform any operation with the kind of companies.

- The independent owner of the company must have complete control over it.

If the former mentioned conditions are true, the company dealing with this type of company profits and losses resulting from this deal, it is not included in the assets or liabilities of those companies in the consolidated statements of the client company, regardless of the close relationship between them.

## 5. Summary of Operations that Have Been Reviewed and Analysed

### 5.1 *The Operations of Chew Co.*

This company is an investment company owned and managed by Kopper (former employee of Enron) and is one of the main causes of the failure of the financial statements of Enron Company for the years 1997–2001 in addition to the powers granted to eligible Kopper. Where the company Enron post joint venture (Joint Venture) worth 500 million US\$, with the California Public Employee Retirement System since 1993 until 1996, was the control of the project jointly, including Monday, and up to 1996, not a company Enron include the assets and liabilities of the project in the consolidated financial statements, but merely to show gains and losses on the project in the lists of income and disclosed in the notes to its financial statements. At the beginning of 1997, start a company Enron to reduce the contribution of partner project to urge him to engage with new projects again, here emerged a new issue, it became Enron owns the lion's share in the project where it becomes binding upon and in accordance with principles generally accepted accounting show assets and perfect that the joint venture within their financial statements, and this is what you do not want the department of Enron.

It was the only solution to avoid showing the assets and liabilities of the project in their lists standard, is the search for a new partner in the project, and to achieve this goal, according to the statement by Fastow helped manage Enron one of its employees Kopper in the establishment of the investment company her relationship the subject of collapse (Chew Co.), and this became the owner and director of the new company, which in turn has purchased the old partner's share to the joint venture. But stayed there a major obstacle without which it would have on the company Enron show the assets and liabilities of the joint venture and the company's new investment in its financial statements which create a investors in the company Enron to invest 3% at the very least in the assets of the company new investment Chew Co., but you can't find it investor.

Despite the explicit violation Enron company continues not to include the assets and liabilities of each of the joint venture and the new investment company in the consolidated financial statements. It is clear here are some serious matters taken by the management of Enron:

- 1) The establishment of an investment company owned by Enron's full and do not say so.
- 2) That the company has purchased share of the joint venture with Enron indebtedness complete without the existence of any right of ownership and guarantee company Enron.
- 3) Do not include all the assets and liabilities of the joint venture and investment Company within the consolidated financial statements of the company Enron this is a serious violation of the leaders of the collapse.

Notes of the commission of inquiry:

It has been observed to reject all of Kopper (director and owner of Chew Co. Former) and Andersen to justify or explain these processes, and why was restructured so the offending method of accounting standards for the non-lists of those companies included in the consolidated statements Non-Consolidation Rules. The Commission has said very clearly that they do not know whether those errors caused by miscalculation or negligence by Enron's management and financial advisers Andersen or as the result of that Kopper made his interest on the interest of the parent company. The committee noted that, when the company Andersen has reviewed things in 2001 with Enron and found that the company Chew Co. not subject to the laws set forth in accordance with generally accepted accounting principles and advised corrects things returned to normal and it has company Enron to announce the restructuring of its financial statements retroactively from 1997 include the company's assets and liabilities Chew Co, as the consolidated financial statements which led to this tragedy and the massive reduction of income and rising indebtedness dangerous.

In addition each of the above committee found another violation frank and serious:

It is because, according to company Enron and instructions regarding business management was not authorized for Kopper any type of administrative control or financial officer Chew Co. However, in one case, a receiving written approval from the Chairman of the Board of directors Enron, noted that the commission did not find such approval by any party. The best proof of that Kopper is running things was that the company that, during those years, received a commission from the company management Chew Co. Amounted to two million dollars in

agreement with Fastow (Assistant Chairman of the Board and director of the accounts of Enron).

In March 2001, the company Enron bought stake Chew Co. In the joint venture, but after negotiation between Kopper and Fastow which I received 10 million US\$ in exchange for ceding its stake here we must recall that the contribution Kopper in 1997 investment in the company did not exceed 125 thousand dollars. We must also note, that the waiver process that has, while there was a deliberate intention and undeclared two create two new companies along the lines of the first Investment Company, the two companies LJM1 and LJM2 Company which was later their inception.

Finally, with regard to the Chew Co. In view of the restructuring of capital, which was the following:

- US\$ 240 million (unsecured loan from a bank Baarclays guaranteed by Enron).
- US\$ 132 million (submitted by the joint venture).
- US\$ 1105 million (of the company's partners in the 3%).
- US\$ 125 thousand dollars (Kopper).

### *5.2 The Operations of Companies LJM1 and LJM2*

In 1999, with the consent of the Board of Directors entered Enron Bakadi partnership with two people and that was Fastow and largest investor them, and that the two companies are preparing one of the reasons that the Company disclosed Enron profits unreal almost one billion dollars and give Fastow and his associates several millions of dollars at their expense.

Was not supposed acceptance of such companies already, especially because of their direct relationship and one of the most serious Enron employees was justified by the Governing Council accepted those companies and that relationship the following reasons:

- 1) The Board of Directors believed that this type of company and the direct relationship to one of its employees may believe the company's operations were not to be normal conditions in terms of absolute loyalty to the employee of the parent company.
- 2) Through these companies to get buyers for assets that they wish to sell including that Fastow familiar with the bulk of the things he or she can speed up operations and make it serve the interests of the parent company.
- 3) The Board of Directors believed that fair disclosure of the financial statements can control the dangers of disloyalty and revealed things and stop any possible manipulation.
- 4) The reason why the Board of Directors actually reassure the performance of these two companies good reports that were received from the financial adviser to the company Andersen.

What was observed that Enron entered the company nearly 20 process with the two companies during the period from 6/1996 until 6/2001 of those operations have been classified into two types?

- The sale of assets.
- Hedging operations.

## **6. Damage to the Company Enron**

It should be noted here that these operations caused the greatest damage to company Enron, for example, but not limited to:

- One of the processes before the end of the fiscal year period is too short to do Enron company to sell some of its assets, which wanted to get rid of them to LJM1, and the question that arises is this process actually quoted the risks? First and finally that these risks remained linked to the same parent company.
- And other process has before the end of fiscal year 1999, where Enron sold seven investment contracts to LJM1 and proven company profit resulting from the process and after the end of the fiscal year brought five of investment contracts.
- One of the most serious deceptive hedging operations that has been as follows:

In the 3/1998 Enron company has purchased 504 million shares at a price of 1085 dollars for shares of Rhythms (the total amount of 10 million US\$) and in 7/4/199 when Rhythms company turned to a public company, increased its share value from 21 to 96 million US\$, and became Enron investment value of 300 million US\$ was reversed these profits in the company's income, Although the investment contract was provided for the inability of Enron Company from the sale of these shares before the end of 1999. The Enron company was retains some futures contracts in some banks to protect its shares from price fluctuations. Proceeding from the

above suggested Fastow plan to hedge to maintain investments Enron at Rhythms through the establishment of an investment company limited LJM1 consists capital of futures contracts for Enron, and after the establishment of this company Enron hedge has against the risk of lower prices for company Rhythms.

In addition, actually managed to Fastow and approval of Board of Directors of Enron convert all futures company LJM1 exchange for notes receivable, and entered decades later swap with Enron to protect their investment in Rhythms, this process affected the profits and losses of a company Enron declared, but the process is not real, because this type of hedge is not the hedge economically but hedge accounting, if that Enron shares maintained a good price you will be able to control their investment returns, even if the low share price Rhythms, but what would be the situation if the share price declined Enron Company and Rhythms at the same time? Here shows the following question: What is the benefit of this type of swap contracts and the guarantor is the same? The researchers found that there are many other irregularities, but the foregoing is major irregularities and that actually led to the collapse of Enron and fully bankruptcy and the subsequent collapse of Andersen of the great complicity contributed significantly.

## *6.1 Corporate Governance in the Modern Sense*

### 6.1.1 What is Corporate Governance

Researchers found that there are several definitions of governance, institutional Some say "is the field from the fields of the economy, and are looking how to ensure or stimulate the efficient management in joint stock companies by using the mechanical stimulus, such as contracts, legislation, designs and organizational structures, and is often confined to the question of improve financial performance, for example, how the capacity and the impact of public shareholding company owners to ensure and motivate the company's managers to perform and achieve the best return on their investment (Dahmash, 2003). Also, some definitions say that corporate governance can be defined on a small scale to represent the company's relationship shareholders, or more broadly, the company's relationship everyone (Financial Times, 1999)

### 6.1.2 Corporate Governance in the Modern Sense

He put an essay entitled "puts the New York Stock Exchange NYSE audit committees on the road to a new" (Sweeney, 2002) in the 01/08/2002 that the Board of Directors of the New York Stock Exchange has the approval of the proposed amendments to the criteria for listing companies issuing standard 99 (SAS No. 90) It was discussed that the proposed amendments with the Securities and Exchange Commission on 08/16/2002 were identified period of time for comment and objection to the amendments before the Commission corrected and a final approval.

Proposed amendments aimed at restoring confidence to the investor through promote corporate accountability and strengthen the institutional control of corporate governance. The task of the proposed amendments focused mainly on making the company's audit committee and fully responsible for monitoring the external auditor and give full authority in determining the terms and fees for the audit and other work as well. Proposed amendments exceeded to its main focus on the functions of the audit committee to become a comprehensive guide for listed companies to determine the criteria of institutional control. Affect the proposed standard on all listed companies whose securities are within the New York Stock Exchange, and also affect all other business organisations and the legal variant form of joint-stock companies, such as limited partnership firms. The standard determine with two main objectives, first: determine the authority to audit committees from the perspective of the integrity of the financial business listings, and the second: focused on the independence of the external auditor, and to keep the audit committee is responsible for determining the financial statements or to ensure the external auditor's report.

### 6.1.3 Member Qualifications

Out of a desire to rehabilitate members with a mix of skills, knowledge, in order to enable them to respond actively to address the problems of the company, and the face of actively managed, has the effects of Governor Andrew S. Grove (Chairman of Intel Corp.) Multi needed to create a series of measures to assess the User three-dimensional Three-tire director evaluation process, and included evaluation of the performance of each of the Board of Directors in a comprehensive manner, and all of the commission and, if necessary, each member individually.

### 6.1.4 Ethical Behaviour

The commission has recommended a number of policies and procedures that define the necessary requirements for the process of creating the laws of ethical behaviour, and the mechanism obliging company's laws of behaviour. Commission's report has shown that companies work to strengthen the concept of responsible

behaviour and build a suitable environment that enables employees to report wrong actions rather silent about it, or report it after it is too late. The commission has noted that its own laws ethical behaviour is not sufficient, and recommended that the council should the company's management to discuss ethical issues, and the company must develop appropriate tools and procedures for creating an ethical work environment and application.

#### 6.1.5 Audit

Out of a sense of the responsibility towards the failures of large audits, we have focused on the importance and necessity of the presence of Jean-checking feature knowledge and independence, and the need to use targeted programs, and continue to educate the audit committees, in order to protect companies from accounting practices wrong, and the risks resulting from conflicts risk-prone situations the committee also recommended that use of audit committees as and when needed advisers to help to perform their duties. Committee urges the need for companies to have an internal audit function is strong, and recommends that the internal auditor shall be connected directly with the audit committee, and to report back to it, as well as to attend all meetings. As for the external auditors, the committee calls on the companies to re-examine and evaluate acts of external auditors and assess the quality of their audit its performance once at least every five or seven years. On the basis of ensuring the independence of the auditor, the audit committee to change the external auditor and immediately in the following circumstances:

- 1) If the auditing firm audited the company's business for a considerable period of time, as ten years or more.
- 2) If a company's auditing firm employees ex-employee of the company that is under scrutiny.
- 3) If the auditing firm performs other services related to the audit of the company that is under scrutiny.

#### 6.2 Corporate Governance in Its Modern Sense after Two Years on the Application

The author argues Maureen Nevin Duffy in his article entitled "The client's investments and corporate governance" corporate governance and client investing Duffy, 2004) in the journal of accountancy magazine in its issue of January 2004, he noted several important things summed up thus:

- That due to the growing interest in the subject of corporate governance and its contribution to raising equity values in the financial markets must chartered accountants to exploit the opportunities of this and educate their customers of its importance in terms of that activation of corporate governance in any company the right way will contribute to the success of the company in the future.
- A chartered accountants become focus through their consultant to advise their clients to invest in the shares of those companies that do practices of corporate governance form the right, relying on the advice of those that companies active for gubernatorial institutional will be devoid of any problems accounting, and that the plans of those companies in the hedge will be focused on the interests of property rights holders substantially and actor.
- Because the disclosure of corporate governance practices in companies is still in its infancy, it has seemed chartered accountants have their information about companies through their managers, and it is recommended that the writer is selected managers who enjoy the reputation of honest and ethical.
- Chartered accountants became extremely sceptical of the information that they get it in regard to institutional for pricing services, and it seemed the trend advice to the so-called need for comprehensive disclosure of the independence of board members, and established strategy.

At the end of the article writer refers based on the statistics showed that 33% of companies that have been asked for their application to the terms of the New York Stock Exchange apply those conditions, and that each of the chartered accountants and their clients are facing serious difficulties to obtain information about the companies that do corporate governance in its system. The writer advised at the end of his article, that if we want to know which companies apply corporate governance, we must work the following steps:

- Must be on companies that want to evaluate the performance of the investment service or sales to organise questionnaire contains several fundamental questions relating to institutional governess's.
- Since the information on corporate governance is still elusive, it should focus on those companies that do not suffer from the problems of accounting, which does not have its board members lion stakes in its shares.
- Must when choosing a financial manager to focus on the choice of the person who has high integrity and ethics, where his primary role in directing investments.

Harvet Coustan and Linda M. and W. Max and Joyce A. In their article entitled "What does it mean Oxley market Sarbanes-Oxley: what is means to market place". In the Journal of accountancy magazine in its issue dated February 2004, through interviewed a number of professional accountants that they are any accountants:

- Agree to some of the requirements stipulated by the new law, particularly in requiring departments companies to report to the external auditors, instead of reporting to the internal auditors, as they hail the decision provides for the formation of the Audit Committee, which will contribute to the dimensions of the pressure exerted on the audit fees and focus efforts on audit process and thus improve effectively than ever before.
- The process of involvement of senior management in reviewing the interim and annual reports will make its attention focused entirely on the financial reporting mechanism.
- The new legislation will have a positive impact, despite the confusion that might happen because of the complexity and responsibility contention.
- The operations of the various stages of documentation will be expensive, but it is useless to give the desired credibility of the whole process.
- The fear of non-able listed companies that managed a small size to meet the requirements of internal control due to the large cost which will make only large companies listed joint stock companies.
- Chartered accountants shows their big goal the fear on their customers from small businesses listed that may not be able to meet the new requirements of the financial markets and in accordance with the modern corporate governance.

### 7. Conclusions and Recommendations

This important issue, which is the issue of age to open our eyes to the many important things, especially after seeing the following questions, some of which is still on my mind researchers:

- 1) The researchers did not believe that there was a possibility to prevent what happened, and they think that the problem is not related to the standards of accounting or auditing standards in force, but the main problem is limited to the ethics of the profession itself.
- 2) One of the most important observations that we found on the subject that the auditing firm Andersen was carrying out several acts of double the one hand the external auditor of the company Enron and advisor financial on the other hand, strangely enough they were representing your internal control of the company, which monitors itself, and receive large amounts very exceeded wages accepted them, here's the main question: was Andersen company independent company? Or is it not beyond being a staff member of the company Enron.
- 3) The other thing that is going on in thought, Andersen company was complicit with Fastow mother could last deceit, especially that Andersen who alerted company Enron to the need to restructure its financial statements in advance of the collapse if they are complicit, why warned Enron necessity of restructuring? Why the Board of Directors of Enron form a committee to investigate and limit its work to know what just happened? And under its jurisdiction, we believe that the real accomplices Atta Fastow latter was only tool that the implementation.
- 4) Return to the first point regarding ethics, inquires researchers: is there another way to adjust the ethics of the profession? we know that Enron company listed in the U.S. financial market, and the question here where censorship destinations in that market? How omitted control over these things all these years.
- 5) Where the censors audit firms? And how the company was allowed to double Andersen to commit acts exceeded the audit and financial consulting, and why did not you ask for high wages that exceeded conventional much? Do Fastow hit degree of cunning and intelligence in order to con everyone? Or that the company is collaborating community en masse?
- 6) Did the Governing Council notes irrational numbers from previous financial reports, especially regarding hedging and profit that exceeded in some cases profits basic operations of the company.

All of these above-mentioned points, after research and analysis and interpretation we get back to the fact that the problem is not the standards of accounting and auditing standards, but the problem is in the ethics of the profession and the possibility of seizure and consolidation. Also, all the surveys and information that have been found and learned from the American corporate environment showed that corporate governance in the modern sense difficult to implement on the ground. Finally, the researchers believe that the main problem lies not in any corporate governance laws palaces, ancient and modern, but the problem lies to who apply ethics of those laws.

### 8. Recommendations

Given the conclusions reached by the researchers, especially which raises in mind number of the many questions, the researchers and to enable the implementation of corporate governance in the modern sense and benefit from it recommend the following?

- 1) Economic actors should be focused on finding mechanisms to promote raise ethical behaviour, which is entrusted with compliance with the laws in force.
- 2) Educate stake holder's idea of the need to find a mechanism for the independence of the internal auditor because of its economic benefit back to them.
- 3) Not to limit the absolute powers, however, executive director specific and subject to several other regulators.
- 4) Corporate boards included members of the professional specialists in the field of financial accounting, provided ensure full independence.
- 5) The need for regulators by the financial market listed companies more effectively than is the case now.

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