

YES, BUT WAS IT A REAL AUDIT? THE TOSHIBA CASE

Gökçe Sinem Erbuğa, PhD Candidate
Dokuz Eylül University, Izmir, Turkey
gokce.erbuga@deu.edu.tr

Abstract: *In the accounting literature, the Japanese Toshiba has taken an important place with its accounting scandal that occurred in 2015. Toshiba's accounting records have been systematically changed and the company's operating profit has been inflated for many years. Toshiba's financial statements irregularities, non-rational profit targets, failure in reflecting the loss of value in its financial statements, the occurrence of arbitrary practices of the company's top management caused multiple serious problems in the management of the company. The fact that even a huge company, such as the Japanese giant Toshiba, is managed away from the corporate governance, causes other companies to question the importance of audit once again. The fact that we still face such large accounting scandals today, and they bring about the issue of whether the internal audit systems of the companies are established or not if they are established how efficiently they are operated, and how effective the independent audit is. This research, which emphasizes the importance of auditing process for companies is based on the Toshiba's corporate accounting scandal case. The Toshiba case has been evaluated and the necessity of independent auditing and the issue of how to ensure audit quality have been handled. This research intends to take lessons from the Toshiba case in order to raise awareness, to encourage corporate partners to increase audit quality and to communicate with each other in order to ensure audit quality.*

Keywords: *audit quality, Toshiba, accounting scandals, corporate governance*

Introduction

In today's intricate world, nearly all companies can fall for an accounting scam. Although a single piece of a scam evidence has been never adequate for moral certainty of accounting fraud, embezzlement or financial irregularities, companies shouldn't forget that they are not scam-proof. Over the last few decades, companies have suffered several recent incidences of scam, especially high-volume frauds which end up with huge economic losses. Despite their massive economic shrinkage, they all know the last thing they want to hear is "it's only money". Because it's not just money. In some cases, the cost of accounting scam can be much higher than it's ever been like tragic downfalls of companies, life incarceration, climate of distrust and skepticism among the market actors, irregular and unpredictable economic fluctuations in the capital markets, negative stock market reactions and some other enforcements like fines or penalties.

The financial dimension of the costs that companies face accounting scams bear may just be the tip of the iceberg which means the collateral damage can go further in its financial results (PwC 2007). The bad news is that as given financial results become more likely to be measured, companies may underestimate or misevaluate the collateral damage, while, at the same time, paying sufficient attention to their adversely affected, damaged reputation, brands, and images, and maintaining the motivation of their personnel. The topic for the recent years' digging deep is "Achieving and sustaining accountability and transparency in companies" (Carothers and Brechenmacher 2014). Corporate fraud which can be articulated as a social phenomenon; not just an accounting problem (Wells 2004) came to the fore after accounting scandals that came to light one after another over recent decades. In many incidences of accounting scam, it is clearly seen that scams are primarily based on violation of stated codes which are defined as any rules, guidelines, procedures, or codes that guide the company employees in his/ her moral and ethical practices (Perlmutter and Schoen 2007), misapplying GAAP (Generally Accepted Accounting Principles), IFRS (International Financial Reporting Standards), IAS and GAAS (Generally Accepted Auditing Standards), and building unhealthy relationships with the C-Suite.

After the big serious accounting scandals that the world has experienced like The Bank of Credit and Commerce International (BCCI) in 1991, HIH Insurance in 2001, WorldCom and Enron Corporation in 2001, Kmart Corporation in 2002, Arthur Andersen LLP in 2002, Sunbeam in 2002, Parmalat S.p.A. in 2003, American International Group (AIG) in

2008, Satyam Computer Services in 2009, and Lehman Brothers Holdings Inc. in 2010 (Wikipedia 2019a) have come to light, public concern has grown exponentially (Lee, Al, and Gloeck 2008). Toshiba is the actor of the latest corporate accounting scandal that ends up with a huge loss of faith and trust in the auditing process by investors. Yet, as bad all that beforementioned corporate accounting scandals were, the Toshiba Corporation scandal has also led to a gigantic economic devastation, several job losses, insolvency, debt restructuring, and nationalization (Khondaker and Bremer 2018).

Historical Development of Toshiba Corporation

Founded in July, 1875 as Tanaka Seisakusho Engineering Works, Toshiba looks back on more than 140 years of success. Although Toshiba has such a long history, its modern institutional structuring started in 1938 as Tokyo Shibaura Electric Company Limited by merging Tanaka Engineering Works (1875) with Tokyo Denki K.K. - A Tokyo Electric Company, which was established as Hakunetsu-sha Company Limited in 1890 (Wikipedia 2019b). In 1984, Kabushikigaisha Toshiba which is mostly known as Toshiba got its recent name as Toshiba Corporation. Toshiba is renowned for its successful introduction of Japanese culture in both Japan and other countries (Khondaker and Bremer 2018).

Throughout its long operating period, Toshiba has encountered several company takeovers, acquisitions, reestablishments, alliances, and mergers. It is possible to say that there are two eras can be defined for the purpose of Toshiba's historiography. Before its latest corporate accounting scandal became public knowledge in 2015, the milestone which is known as Toshiba-Kongsberg scandal (Toshiba of Japan and Kongsberg Vaapenfabrikk of Norway) in the history, separates these two spans of time is the Cold War in 1987 (The New York Times 1987). During the Cold War years, its subsidiary, Toshiba Machine Company sold a kind of control milling machine (a military sensitive milling machine which means militarily useful technology) to the Soviet Union forces. After the Toshiba-Kongsberg scandal, both chairman and the president of Toshiba Corporation step aside (UPI 1987).

On the other hand, Toshiba has made a major breakthrough over Japan's prewar era and postwar era economic growth and has supported financially by the government of Japan throughout its early life stage. Especially when talking about the postwar era, the government of Japan built a system to mobilize and allocated a fund from its budget to support the key industries for accelerated

economic evolution (Otsubo, 2007). Also Toshiba grabbed its piece of that pie and branched out over the years by expanding its product range with Japan-first products such as radar (1912), digital computer (1954), microwave oven (1959), color video phone (1971), MR image health device (1982), laptop (1986), DVDs (2005) and some others (Khondaker and Bremer, 2018). After the postwar era Toshiba collaborated with some other companies, started to operate in different sectors like hard engineering and primary industry and took its final form as a corporate company group.

And today, Toshiba operates in five main sectors: energy and infrastructure, community solutions, healthcare systems and services, electronic devices and components, and lifestyle products and services (Toshiba 2015). In the year 1971 Toshiba adopted corporate social responsibility (CSR) principles endogenously pointing both its staff members and consumers. In 1973, “going green phenomena” was accepted as a part of its corporate culture to be more environmentally friendly and ecologically responsible and sustainable for current and future generations. Hereat, its first environmental plan report was released in 1993. Although Toshiba fell on hard times because of its nuclear energy plans because of the Fukushima Nuclear Disaster in 2011, it still has been ranked on the Dow Jones Sustainability Indices (DJSI) World Index since 2000 except one year. The company was dropped out of the index in 2015 because of its corporate accounting scandal (Elghandour and Toka 2016).

The Corporate Accounting Scandal of Toshiba: How It Happened?

In the postwar era, Toshiba’s products were either at the beginning or at the end of their life cycles – they can be identified as stars or cash cows. In the long run they were expected to generate high cash flows (high liquidity) which brings high market shares. But ironically, 2015 corporate accounting scandal of Toshiba damaged these profitable product lines, thereby many products lost their place in the stars and turned into dogs. In order to camouflage the company’s ineffectualness, the C-Suite manipulated its earnings for roughly seven years (Khondaker and Bremer, 2018).

Toshiba’s reported operating profit was artificially inflated and it was overstated by US\$1.2 billion, with its top executives’ knowledge for over the years (Reuters 2015a). As the BBC News reported, the overstatement was roughly triple an initial the company’s estimate (BBC 2015). According to the statements issued to the press (press releases), the scandal derived from a serious misconduct of the accounting method named “percent of completion

(PoC)” method. The percent of completion (PoC) method which is a non-cash flow accounting method of work-in-progress evaluation, with the aim of recording long-term contract, is mostly used in managing long term projects and it recognizes revenue and expenses as a percentage of the project’s completion during the period (CFI 2019). According to the PoC method, total income and total cost along with the degree of the process made in one single accounting year is estimated and the income and the cost of the contract for the accounting year are broadcast according to this rule (Independent Investigation Committee or IIC of Toshiba 2015).

Toshiba declared that the profit targets from the projects related to electricity generation, railways, and some other related works were set unachievable high and to achieve meet this target, Toshiba preferred to decrease its expenses. But in the end, it was unsuccessful in adjusting its costs for the truly existing progress made (Khondaker and Bremer, 2018). With respect to the financial investigation’s findings, the scandal’s roots were much deeper and the execs of the company were manipulating Toshiba’s earnings for more than 7 years (Financial Times 2015a). Independent Investigation Committee (IIC) of Toshiba brought to light that Toshiba inflated its operating profit artificially and overstated them in fifteen projects in these three beforementioned areas and suffered from the harm that follows from accounting malpractice (accounting negligence). Although the scandal had a broad repercussion in press, Toshiba went on its fraudulent actions and hid financial information about its final situation. On the other hand, in 2016 Toshiba’s losses was massive because of its nuclear plant subsidiary Westinghouse in the US and the book value of the company was negative (Khondaker and Bremer 2018).

As uncovered by the IIC, Toshiba’s corporate scandal was a multi-dimensional case. For this purpose, it does seem that whoever is responsible for having and breeding this scandal should be identified clearly. This paper examines the responsible partners of the scandal in three groups: C-Suite (top management), auditing parties, and auditing system in Japanese culture. The first actors of the case that should be raised here is the manner of the C-Suite against middle management and lower level employees. C-Suite of Toshiba had unrealistic profit targets to meet by managers and that situation brought tons of pressure on subservient managers. On the other hand, managers were forced to hide losses until getting profits and offset actual losses with future profits (Japan Times 2015). Besides, the perception of unconditional obedience to the authority (chief executive) was the dominant approach within the body of the company. When unrealistic demands and unachievable profit targets of the top

execs declared to the managers, they had to attain these goals no matter what happens (IIC, 2015). Actually, the scandal was not just an ordinary accounting fraud case. It was mostly part of a major dilemma in management and corporate governance implications. The execs were hiding their heads in the sand not to see that they were failing, but of course it didn't make it go away. Frankly speaking, the majority of these fraud-related actions were caused by the firms C-suites including executive officer (CEO) and his predecessors Atsutoshi Nishida and Norio Sasaki and also his denial of failing, and rejection the reality of that fact (Japan Times 2015).

Although not many companies are applying international financial accounting standards in Japan, Toshiba was a distinguished example for its peers and outstanding company because of its social responsibility perception and successful corporate governance implications. Apart from the fact that there are some obligations about the board of directors' structures of companies in Japan, there were four external directors within the body of its board of directors. In spite of the fact that this structure of the Toshiba's board of directors was a quietly desired structuring, these external members of the board of directors were not very component of their job, and quite inexperienced to meet the standards (Khondaker and Bremer 2016a). As a whole, Toshiba's top management - especially the CEO, paved the way for the accounting scandal by putting tons of pressure on subordinates to achieve the unachievable profit targets after the big global recession worldwide which was the result of the global financial crisis. Actually the top management's primarily the CEO's feelings and powerful desires to attain unrealistic targets put his head in the noose (Elghandour and Toka 2016).

The second actors that should be referred here is the malpractice of audit parties. Although this paper mostly refers to the independent external auditors by the term of audit actors, it is also so obvious that Toshiba's internal auditors abused their duty of report fraud. Both independent external auditors and internal auditors are responsible to stockholders, companies, potential investors, governments, and other actors of the stock market. Firstly, speaking for the external audit part, independent external auditors have several responsibilities to their customers, public authorities, and general public. The auditor has to design and conduct the audit process in order to provide reasonable assurance regarding the reliability of financial reporting and financial statements, if any material weaknesses exist (PCAOB 2002) - SAA99 and SAS 113 (Mehta and Bhavani, 2017). Toshiba's auditor was Ernst & Young ShinNihon LLC which was one of the leading audit companies in Japan. For the year 2014, Toshiba

paid roughly US\$8 million, which means 1.5 basis points of the company's turnover for that year (Khondaker and Bremer 2016a). As Reuters articulated, the six year average of Toshiba was 1.8 basis points (Reuters 2015b) which means that Toshiba was paying a lower fee for the audit services received by EY ShinNihon. This dilemma puts a question mark in the minds that whether the audit services received by Toshiba from EY ShinNihon is sufficient and establishes the appropriate standard of professional attention and care. It is widely believed that the quality of audit directly and highly related to audit fees. The fee paid to the auditor plays a critical role in assessing the quality of the audit process. The fee level of audit dictates the selection process of the auditors that will conduct the audit process effectively and follow due control mechanism. In other words, a successful selection of auditors is playing a crucial role in enhancing audit quality and providing auditors' independence (Khondaker and Bremer 2016b).

Ernst & Young ShinNihon LLC made serious errors when conducting the audit process and failed. Just before the Toshiba's corporate accounting scandal came out into the open, EY was one of the biggest auditing companies in the world and biggest domestic auditing corporation in Japan and made a business contract with Toshiba so its auditor for almost sixty years. When the auditors within the body of EY failed in detecting the malpractice and fraud for almost seven years, this business collaboration ended up badly. The Financial Services Agency of Japan (FSA) which is a government agency and an integrated financial regulator and responsible for overseeing capital markets in order to ensure the stability of the financial system of Japan (Wikipedia 2019c) denied EY ShinNihon to make new audit agreements for three months from January and fined EY ShinNihon US\$17.4 million (Financial Times 2015b) which was roughly equal to the total of two year auditing service fees would be paid by the Toshiba to the EY ShinNihon (Reuters 2015c).

Seven auditors that took part in the audit process were accused of malpractice (for abusing their duty of care and approving fraudulent financial statements). The chief executive of EY ShinNihon Koichi Hanabusa resigned after the accounting scandal and for nineteen employee who took part in the scandal were suggested temporary reduction in pay (Financial Times 2015c). Taking into consideration that Ernst & Young ShinNihon failed in conducting the external audit process, Toshiba signed up its new audit agreement with PricewaterhouseCoopers (PwC) Aarata in April, 2016. Toshiba decided to take the action that produces the least harm after the scandal and intended to review its auditing structure every five-seven years to manage its bad experiences. In

addition to these precautions, Toshiba thinks out to reorganize its institutional structuring in order to be more transparent. For this purpose, Toshiba chose to spread knowledge and information companywide, share information oftener and supply core knowledge and information to its audit committee (Glass, Lewis & Co. 2017). From many different perspectives, the main responsible actor of this massive corporate accounting scandal was the auditor of the audit process. Of course the auditor was not the sole responsibility of this scandal, but he was the main actor. In spite of the fact that the auditor was the lemon, EY ShinNihon has obtained quite small sanctions when the scale of the accounting scandal taken into consideration. It is very unlikely that the auditors working in the country's best audit firm would be unable to identify the years of accounting irregularities.

EY ShinNihon has been hiring well-educated and successful people that graduated from top universities, so the rumor mill went wild over times. According to the speculations, both sides of the audit process- both Toshiba employees and EY ShinNihon auditors, were aware of the fraudulent actions that triggers the scandal. There was a plenty of room for the rumor mill to keep turning and everybody was in the mix asking how the auditors didn't realize the scandal coming by fraudulent financial statements. Although EY ShinNihon was hiring top talents throughout the country, their managers or supervisors created a big pressure on the auditors. The supervisors banned the auditors from speaking of this scandal and noising the backwashes around. Anyways, the employees of EY ShinNihon were identified as the informal whistleblowers of the accounting scandal and with the help of these whistleblowers, Toshiba's window dressing was talked over to some extent (Khondaker and Bremer 2016b).

The accounting scandal of Toshiba burst out after years of EY ShinNihon's negligent. This situation brought up this question: "*Why the auditor was blind to all these fraudulent accounting implications or accounting irregularities?*" (CFA 2015). According to the investigation results by FSA Japan, one of the auditors that took part in conducting the audit process of Toshiba, realized some extreme outcomes of the Toshiba Computer Division's accounting transactions, but the auditor didn't pursue legal proceedings against the accounting irregularities and dropped the subject or didn't share information and opinion with the other audit team members. To add, it is also mentioned that the audit process was conducted according to the information gained from the Toshiba's consolidated subsidiary (Taiwan Toshiba International Procurement Corp. -TTIP), but the auditor should have taken the company's consolidated

financial statements into consideration in order to dig up further information for getting reliable audit evidences. From this perspective, the independent external auditor had the ultimate responsibility for fulfillment of the audit process (Khondaker and Bremer 2016b).

To sum up, in short, the audit committee of Toshiba didn't carry out its tasks meticulously which means the internal control implications were not enough as the internal control system was not working properly. Toshiba's internal audit system was totally covered in the face of accounting scandal danger and didn't declare and report corrupt accounting practices (IIC 2015). The internal auditors didn't monitor injustices within the company and the internal audit team consisted of insufficient people who were lack of professional skepticism in a technical sense (Khondaker and Bremer 2016a). On the other hand, EY ShinNihon was in a totally awkward position against the fraudulent accounting transactions so that the large segment of the society claimed that EY ShinNihon was aware of this potential danger and cooperated with Toshiba in glossing over the accounting scandal.

The third and the last factor that should be mentioned in this paper is the auditing system in Japanese culture. In Japan, internal control systems of many companies are not running properly. It is a widely held belief that Japanese corporate business culture is hierarchical and the underlying roots of this corporate culture is loyalty and leaving no avenue unexplored not to bring shame to its own employers (Chambers 2015). Japanese members of the accounting profession should should take all the precautionary measure to avoid from any fraudulent actions or accounting irregularities. As a precautionary measure, an effective whistle-blowing system will be a useful tool for detecting any wrongdoing in the company. An effective whistle-blowing system has the power to prevent organizational wrongdoing in some matters (Near and Miceli 1995). Nowadays, in many companies benefit from the whistle-blowing system as an internal control tool and whistle-blowing on accounting irregularities becomes commonly accepted (Mesmer-Magnus and Viswesvaran 2005). Whistle-blowing enables reporting fraudulent accounting transactions and accounting wrongdoings in terms of corporate governance via internal and external reporting ways. According to the researches, almost every whistleblowers mainly prefer internal reporting channels rather than an external one when they face an accounting wrongdoing and has to report it (Miceli and Near 1992). Researches on this issue tend to mean white-collar crime, corporate criminal behaviors, and illegal corporate behaviors by using the term of "wrongdoing" (Miceli, Near, and Dworkin 2008). Although the

term of wrongdoing is identified as “*illegal, immoral, or illegitimate practices, activities, or omissions*”, the concept of wrongdoing goes even further than just illegal behaviors (Warren 2003). On the other part Japan, which is the world’s second largest developed nations in the world, is the third largest economy in the world according to its nominal GDP and also fourth strongest economy by purchasing power parity – PPP (Wikipedia 2019d). Although Japan has one of the strongest economies and that developed, the Japanese audit system is not all it’s cracked up to be. When the level of audit fees charged for the audit by an external audit in Japan is compared to any other developed countries, Japanese audit firms don’t have the chance to keep up with their peers in developed countries. Although Japanese audit firms have higher density workloads than other countries, they get paid less. Furthermore, the number of accounting professionals is however limited when the volume of the stock markets and total of the Japanese companies are borne in mind. Not enough people have been exposed to the accountancy profession in Japan, so that Japan’s need of accountants is so obvious.

Speaking of not only Japan but also all countries, it is possible to say that independent auditing companies are not so good at detecting accounting irregularities and fraudulent accounting transactions and fail sometimes. It is quite understandable that the urgency of the law enforcement is so big, so that a couple of legal actions taken like Sarbanes Oxley Law in US, Eight Directive on Securities Disclosure (Directive No.8) in EU and J-Sox Law in Japan (Srinivasan and Coates, forthcoming). Although still these legal actions taken against accounting irregularities, the Toshiba case showed us there is no motivation to improve corporate governance and compliance with laws and regulations in Japan (Khondaker and Bremer 2018).

Results of The Toshiba’s Scandal

There are wild swings in the stock markets because of the Toshiba’s corporate scandal that erupted in April, 2014. Toshiba’s name appeared in the press across the world and stock market’s reaction to the scandal was too much. The scandal was swirling around Toshiba’s C-Suite and Ernst &Young ShinNihon LLC for not carrying out (fulfilling) Toshiba’s duties completely as an auditor. As Financial Times gave a big place to the scandal in its columns, Toshiba lost its shine and was far away from the glories of the past decades because of this scandal. According to the Financial Times, over long years Toshiba was one of the most powerful and well-known Japanese brands with its electronic devices and was the poster child of pattern of Japanese corporate business

behavior. This corporate accounting scandal has generated a climate of distrust and since such hitches highly endanger Toshiba to maintain their prominence and gradually to increase their power.

Toshiba's scandal gave the company a deep shock in the strictest sense of the word and made people act with suspicion towards internal audit implications of companies and also the Japanese corporate scheme (Financial Times 2015a). Between the years 2008 and 2014, the accounting scandal runs up to US\$2 billion of earnings manipulation by window-dressing which refers to actions taken or not taken prior to issuing financial statements in order to improve the appearance of the financial statements. Toshiba window dressed its financial statements to manipulate its financial information, in order to make its financial disclosures look more attractive to the stakeholders and hide its recent poor performance. Not like the Toshiba-Kongsberg scandal before, Toshiba declared that it would launch an extensive investigation about the accounting manipulation scandal and would make it up to all the harms of every party that affected negatively. The scandal wiped out the reputation of both two companies that involved in the accounting scandal. Even though Ernst & Young ShinNihon LLC was found guilty on all charges of the scandal and blamed, it went scott free. And today, Ernst & Young ShinNihon LLC is performing like nothing happened and providing audit services for a vast number of companies.

Conclusion and Suggestions

In spite of all the legal actions taken like promulgated laws, regulations, legal requirements, punishments, and judicial arrangements, etc. failed to satisfy the expectations regarding corporate governance implications in order to prevent accounting irregularities and scandals. In the direction of nipping accounting irregularities and scandals in the bud, public authorities should take due precautions and work at deterring accounting scandals before they come to light. Independent audit firms should redesign their recruitment policy, hire and educate the members of the profession as they make these employees ready for the company. Via independent bodies, all the audit firms should be inspected in order to secure their independence while conducting audits. This accounting scandal showed clearly that corporate governance perception in Japan is still not as strong as it desired to be and some structural adjustments should be done. Companies should hire people who can resist pressure coming from the company's execs. In order to bring audit systems back to life, auditors should receive the required level of education and trainings. Independent

auditors should ensure that they are fully aware of and take steps to comply with relevant laws, policies, and regulations when they are performing their duties (Kızıl and Doğan 2017). It is also important that, audit firms should be re-audited by public authorities (Khondaker and Bremer 2018).

References

- BBC News. (2015). Toshiba inflated profits by \$1.2bn, report finds. Available at <https://www.bbc.com/news/business-33595370>.
- Carothers, Thomas, and Saskia Brechenmacher. (2014). Accountability, Transparency, Participation, and Inclusion: A New Development Consensus? *Carnegie Endowment for International Peace*, 2014.
- Chambers, Richard. (2015). Lessons From Toshiba: When Corporate Scandals Implicate Internal Audit. *Internal Auditor*. Accessed February 25, 2019. Available at <https://iaonline.theiia.org/blogs/chambers/2015/lessons-from-toshiba-when-corporate-scandals-implicate-internal-audit>.
- CFA Institute. (2015). Toshiba Accounting Scandal: Should Auditor Ernst & Young ShinNihon Get a Mulligan? Market Integrity Insights. Accessed February 23, 2019. Available at <https://blogs.cfainstitute.org/marketintegrity/2015/07/28/toshiba-accounting-scandal-should-auditor-ernst-young-shinnihon-get-a-mulligan/>.
- Corporate Finance Institute (CFI). (2019). Percentage of Completion Method. Accessed February 26, 2019. Available at <https://corporatefinanceinstitute.com/resources/knowledge/accounting/percentage-of-completion-method/>.
- Elghandour, Noha, and Toka Adel. (2016). Corporate Social Responsibility Measurement: Case Study on Toshiba Corporation. Economics Master's Programme, Cairo University Faculty of Economics and Political Science. Available at https://www.researchgate.net/profile/Noha_Elghandour/publication/314234129_Corporate_Social_Responsibility_Measurement_Case_Study_on_Toshiba_Corporation/links/58bc196b45851591c5e3de9c/Corporate-Social-Responsibility-Measurement-Case-Study-on-Toshiba-Corporation.pdf.
- Financial Times. 2015(a). Toshiba hit by record fine and put 'on alert' by Tokyo exchange. Available at <https://www.ft.com/content/7c662780-5ac0-11e5-9846-de406ccb37f2>.
- Financial Times. 2015(b). EY's Japanese unit reprimanded by regulator over Toshiba audits. *The Financial Times*, Accessed March 01, 2019. Available at <https://www.ft.com/content/e6357710-a89a-11e5-955c-1e1d6de94879>.
- Financial Times. 2015(c). EY's Japan Chief Quits after Toshiba Audit Fine. Accessed March 06, 2019. Available at <https://www.ft.com/content/e6357710-a89a-11e5-955c-1e1d6de94879>.
- Glass, Lewis & Co. (2017). 2017 Annual Meeting. Accessed February 23, 2019. Available at <http://www.glasslewis.com/wp-content/uploads/2018/04/Toshiba-Corp-2017.pdf>.

- Independent Investigation Committee or IIC of Toshiba. (2015). "Investigation report July 20, 2015." Accessed March 02, 2019. Available at https://www.toshiba.co.jp/about/ir/en/news/20151208_2.pdf.
- Japan Times. (2015). Pressure to show a profit led to Toshiba's accounting scandal. Accessed March 03, 2019. Available at <https://www.japantimes.co.jp/news/2015/09/18/business/corporate-business/pressure-to-show-a-profit-led-to-toshibas-accounting-scandal/#.XIucG1QzbDc>.
- Khondaker, Mizanur Rahman and Bremer, Marc. (2016a). Effective Corporate Governance and Financial Reporting in Japan. *Asian Academy of Management Journal of Accounting and Finance*, Vol. 12, Supplementary issue, pp. 93-122.
- Khondaker, Mizanur Rahman and Bremer, Marc. (2016b). Accounting Irregularities at Toshiba: An Inquiry into the Nature and Causes of the Problem and Its Impact on Corporate Governance in Japan. *Global Advanced Research Journal of Management and Business Studies* 5(4): 88-101.
- Khondaker, Mizanur Rahman, and Bremer, Marc. (2018). The Implications of the Toshiba Accounting Scandal for Auditors in Japan. *Nanzan Management Review* 33(2): 137-161.
- Kizil, Cevdet, and Doğan, Emine. (2017). Audit Techniques for Protecting Against Cyber Attacks: A Bilateral Approach of Case Studies and Interview. Societal Complexity, Data Mining and Gaming, State-of-the-Art 2017, Amsterdam Europe: Greenhill & Waterfront.
- Lee, T., Md. Ali, A., and Gloeck, J. D. (2008). A study of auditors' responsibility for fraud detection in Malaysia. *South African Journal Of Accountability And Auditing Research* 8(1): 27-34.
- Mehta, A. and Bhavani, G. (2017). Application of forensic tools to detect fraud: the case of Toshiba. *Journal of Forensic and Investigative Accounting* 9(1): 692-710.
- Mesmer-Magnus, J.R., and Viswesvaran, C. (2005). Whistleblowing in organizations: An examination of correlates of whistleblowing intentions, actions, and retaliation. *Journal of Business Ethics* 62(3): 277-297.
- Miceli, M.P., and Near, J.P. (1992). *Blowing the whistle: The organizational and legal implications for companies and employees*. Lexington Books.
- Miceli, M.P., Near, J.P., and Dworkin, T.M. (2008). *Whistle-blowing in organizations*. Psychology Press.
- Near, J.P., and Miceli, M.P. (1995). Effective-whistle blowing. *Academy of Management Review* 20(3): 679-708.
- Otsubo, S.T. (2007). Post-war Development of the Japanese Economy. Economic Development Policy and Management Program. Nagoya University. Accessed February 18, 2019. Available at [https://www.gsid.nagoya-u.ac.jp/sotsubo/Postwar_Development_of_the_Japanese%20Economy\(Otsubo_NagoyaU\).pdf](https://www.gsid.nagoya-u.ac.jp/sotsubo/Postwar_Development_of_the_Japanese%20Economy(Otsubo_NagoyaU).pdf).
- PCAOB Public Company Accounting Oversight Board. (2002). AS 1015: Due Professional Care in the Performance of Work. Accessed March 01, 2019. Available at <https://pcaobus.org/Standards/Auditing/Pages/AS1015.aspx>.

- Perlmutter, David D., and Mary Schoen. (2007). 'If I break a rule, what do I do, fire myself?' Ethics codes of independent blogs. *Journal of Mass Media Ethics* 22(1): 37-48.
- Reuters. (2015a). Toshiba inflated profits by \$1.2 billion with top execs' knowledge: investigation. Accessed March 08, 2019. Available at <https://www.reuters.com/article/us-toshiba-accounting/toshiba-inflated-profits-by-1-2-billion-with-top-exec-knowledge-investigation> idUSKCN0PU0E920150720.
- Reuters. (2015b). Toshiba scandal puts focus on Japan's cut-price company audits. Accessed March 03, 2019. Available at <https://www.reuters.com/article/us-toshiba-accounting-auditor/toshiba-scandal-puts-focus-on-japans-cut-price-company-audits-idUSKCN0Q32OY20150729>.
- Reuters. (2015c). Japan fines Ernst & Young affiliate \$17.4 million over Toshiba audit. Accessed March 08, 2019. Available at <https://www.reuters.com/article/us-toshiba-accounting-ernst-idUSKBN0U505S20151222>.
- PwC. (2007). Economic crime: people, culture & controls. *The 4th biennial Global Economic Crime Survey India PwC Investigations and Forensic Services*. Accessed February 21, 2019. Available at https://www.pwc.com/gx/en/economic-crime-survey/pdf/gecs_engineering_and_construction_supplement.pdf.
- Srinivasan, Suraj, and John C. Coates IV. (2018). SOX after Ten Years: A Multidisciplinary Review. *Accounting Horizons*. Available at <http://nrs.harvard.edu/urn-3:HUL.InstRepos:12175242>.
- The New York Times. (1987). Submarined by Japan and Norway. Accessed March 01, 2019. Available at <https://www.nytimes.com/1987/06/22/opinion/submarined-by-japan-and-norway.html>.
- Toshiba Corporation. (2015). Toshiba Group CSR Report 2015 - a comprehensive version. Tokyo, Japan. Accessed March 07, 2019. Available at <http://www.toshiba.co.jp/csr/en/report/download.htm>.
- UPI. (1987). Toshiba apologizes to nation for sale of submarine technology. Accessed March 01, 2019. Available at <https://upi.com/5042149>.
- Warren, Danielle E. (2003). Constructive and destructive deviance in organizations. *Academy of Management Review* 28(4): 622-632.
- Wells, Joseph T. 2004. "New Approaches to Fraud Deterrence." *Journal Of Accountancy* 197(2): 72-76.
- Wikipedia. 2019(a). "Accounting scandals." Accessed March 12, 2019. Available at https://en.wikipedia.org/wiki/Accounting_scandals.
- Wikipedia. 2019(b). "Toshiba." Accessed March 5, 2019. Available at <https://en.wikipedia.org/wiki/Toshiba>.
- Wikipedia. 2019(c). "Financial Services Agency." Accessed March 02, 2019. Available at https://en.wikipedia.org/wiki/Financial_Services_Agency.
- Wikipedia. 2019(d). "Economy of Japan." Accessed March 01, 2019. Available at https://en.wikipedia.org/wiki/Economy_of_Japan.