

*Full Length Research Paper*

# A study on performance of Iranian supreme audit court

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**Supreme audit court plays very important role in states offices and governmental agencies. The results of this study shows weakness as well as strength of Iranian supreme audit court. The results show that clerks of this institutions practice according to the rules and regulations, however, the weakness of such institution are as follows: weak auditors' motivation at the time of practicing job, lack of supervision by managers.**

**Key words:** Iran, auditing, supreme audit court.

## INTRODUCTION

Based on the 56th principle of the Islamic Republic of Iran's Constitution, absolute sovereignty over the world belongs to God, and it is He who has a man master of his social destiny. No one can deprive man of this divine right, nor subordinate it to the vested interests of a particular individual or group. In this fundamental principle, people's legitimate rights to determine their social density have become official.

Moreover, it has been stipulated in the 19th principle of the Constitution that all people of Iran, whatever, the ethnic group or tribe to which they belong, enjoy equal rights; and color, race, language, and the like, do not bestow any privilege. With respect to the provisions of the 56 and 19th principles of the Islamic Republic of Iran's Constitution, people are firstly entitled to manage the collective affairs, and secondly have equal rights. Not all people may directly intervene in enforcing these rights in the society and in determining his social destiny; therefore, they fore see legal institutions to enforce such rights to legitimize the foundations of social system with their vote.

The most superior organs of national social system are selected by people's vote directly or indirectly, and they are entrusted with specific responsibilities. To fulfill their responsibilities and social duties, these legal institutions arrange plans and activities to manage the state's affairs and to present services to people by using public

resources and are obliged to use such resources efficiently, economically, and effectively along the favored goals and within the rules and to be accountable toward people. Achieving these goals and despondence toward people requires strong domestic control systems, including appropriate reporting system.

Reporting is importance, since it is the indispensable part of responsiveness and people, by means of clear and reliable reporting system, can be informed of manner of presenting of collective services and of how to consume resources. Auditing contributes to the process of responsiveness through both assessing the amount of credit of governmental authorities' reports and assessing the result of operations carried out by the legal institutions.

## RESEARCH OBJECTIVES

The main objectives of this study are as follows:

1. Definition of auditing and its history in Iran and around the world,
2. Familiarity with supreme audit court and its history,
3. Familiarity with organization and institutions and manner of working of supreme audit court's boards of advisors,
4. Familiarity with auditing and its purposes,
5. Familiarity with and studying governmental auditing standards, and
6. Studying the degree of correspondence between the performance of supreme Audit court and governmental auditing standards.

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## **HISTORICAL BACKGROUND OF AUDITING**

Etymologically, the word 'audit' is derived from the Latin word, 'audire' which means 'to hear'. Thus in the beginning, the word 'audit' was meant 'to hear' and auditor literally meant a "hearer". The hearing function by the auditor was then aimed at declaring that the accounts kept by the management and the financial statements prepared by them were 'true and correct'. And his function was to give assurance against fraud and intentional mismanagement. Gradually, this hearing function of the auditor was transformed into verifying function. Hence, the principal purpose of independent auditing now is to form an opinion on the accuracy, reliability and fairness of representations in the financial statements of enterprises and to make this information available to external users. Nowadays, search of synonyms revealed various suggestions for the term audit, they are as follows:

1. Inquiry inquest
2. Exploration examination
3. Inquisition inspection
4. Research scrutiny
5. Study analysis
6. Probe account for
7. Review survey
8. Report on check out

Accordingly, the main object of audit also transformed thus making the auditor declare that the accounts prepared by the companies as revealed by their financial statements were "true and fair" (Salehi et al., 2009).

## **TRACE OF AUDITORS IN THE**

### **WORLD Traditional auditing**

As far back as 4000 B.C., historians believe, formal record-keeping systems were first instituted by organized business and governments in the Near East to ally their concerns about correctly accounting for receipts and disbursements and collection of taxes. Similar development occurred with respect to the Zhao dynasty in China. The need for and indications of audits can be traced back to public finance systems in Babylonia, Greek, Egyptian and earlier civilizations (Woolf, 1912). Especially, these governments were worried about incompetent officials prone to making book keeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. Historically, the emergence of double entry book keeping in Circa 1494 A.D can be directly traced to the critical need for exercising stewardship and control. "A form of auditing existed as early as the twelfth century, when the Exchequer was established in England during the reign of Henry I (1100 - 1135)" (Gul et al., 1994). Special audit officers were appointed to ensure that state revenue and

expenditure transactions were properly accounted for. It was also customary for an audit of the accounts of manors and estates to be performed. In 1494 Luca Pacioli published his treatise on mathematics with a section on the principles of double entry. "In 1581 the first association of accountants was formed in Venice" (Gul et al., 1994). The earliest external audit by an independent public accountant was in 1720 by Charles Snell as a result of the South Sea Bubble scandal in England. The total market value of the South Sea Company, chartered in 1710, eventually exceeded the value of all money in England. Thus when the company crashed, it was an extremely significant public event in the English economy. This event set a precedent in the history of auditing. In fact, many, if not most, major auditing events, improvements, and standards tend to follow public exposure of scandals or frauds. The practice of auditing did not become firmly established as part of the business world, until the advent of the industrial revolution. The industrial revolution saw the emergence of large business undertakings such as railways, banks and joint stock companies. Thus, auditing as known today can be linked to the development of joint stock corporations in the UK (Ricchiute, 1989: 9) during the Industrial Revolution in the mid 1800s. The joint stock company was the vehicle supporting the aggregation of wealth needed to finance those businesses. "In 1844 the British Parliament passed the Joint Stock Companies Registration and Regulations (Joint Stock Company Act)" (Gill and Cosserat, 1996: 9). The aim of the United Kingdom Act of 1844 (Gill and Cosserat, 1996), by which such companies were first able to become fully incorporated by simply executing and registering a deed of settlement, was to regulate and control, rather than to facilitate new enterprise. Certain provisions had to be included in deeds of settlement; books of account had to be kept, balance sheets regularly prepared and registered, and auditors appointed, but the liability of the members remained unlimited. In the meantime, however, many companies had been limiting their liability by contract and the Act of 1855, which made it possible for companies registered under the Act of 1844 to limit the liability of their members, was thus regarded by many people as merely a means of giving universal notice of the conditions under which these companies were contracting.

In 1857 the Act of the previous year was slightly amended. Banks were brought within its scope by the Joint Stock Banking companies Act 1857, but without limited liability which was not conceded until the following year, and legislation was passed dealing with frauds by directors. Gill and Cosserat (1996) pointed out that in 1862 the various enactments were consolidated and amended in an Act which is the first to bear the brief modern title of Companies Act, and which, with numerous amendments, remained the principal Act until 1908. It was larger than the 1856 Act, consisting of no fewer than 212 sections and three schedules. Hence, by 1862 two of the three functions of the modern company had been

provided for. Capitalists were encouraged to lend their money to industry without having themselves to operate the enterprise, and fluctuating bodies formed for social or philanthropic purposes could conveniently adopt the company rather than the trust as their *modus operandi*. In the United Kingdom it was not until 1900 that compulsory audits became necessary, in 1907 balance sheets had to be filed with the annual summary, and in 1929 balance sheets, profit and loss accounts had to be circulated to members. In New South Wales (Australia) it was not until 1936 that any of these requirements were introduced. Before 1900, auditing was concerned principally with the detection of fraud. In the first half of the 20th century, the direction of audit work tended to move away from fraud detection toward the new goal of determining whether financial statements gave a fair picture of financial position, operating results and changes in financial position. This shift in emphasis was a response to the needs of millions of new investors in corporate securities (Meigs et al., 1988: 8).

From 1942 to 1969 the Council of the Institute of Chartered Accountants in England and Wales published *Recommendations on Accounting Principles*, and with slight modifications some of these were adopted and issued by the Institute of Chartered Accountants in Australia. The councils of the Institutes prefaced their initial recommendations with the modest yet significant statement that while it was recognized that the form in which accounts are submitted to shareholders is a matter at the discretion of the directors, it was hoped that the recommendations would be helpful to members in advising, in appropriate cases, as to what was regarded as best practice (Meigs et al., 1988). The evolution of auditing in the United States had a decided British influence; several of today's major US public accounting firms were once branches of British firms (e.g. Price Waterhouse and Co.). Ricchiute (1989: 10) points out that the first authoritative auditing pronouncement in the USA was published in April, 1917 by Federal Reserve Bulletin under the title "Uniform Accounting: A Tentative Proposal submitted by the Federal Reserve Board". The 1917 bulletin, prepared at the request of the Federal Trade Commission, was described as a "memorandum on balance-sheet audits" and was intended to promote "a uniform system of accounting". The 1929 Federal Reserve Bulletin, "Verification of Financial Statements", referring to financial statements rather than the balance sheet, suggested that the 1929 bulletin was intended to apply to income statements as well as balance sheets. "The 1929 pamphlet also covered reporting practices and stressed reliance on internal control" (Delfiese et al., 1988: 10). In the 1930's, the intention of the US associations was to create auditing standards to be applied following the stock market crash. It is important to mention that the improvements were formalized in the auditing profession at that time. One of these improvements was that the Stock Exchange in the early

part of last century established minimum reporting standards for companies whose stocks were listed. "Federal securities legislation in 1933 and 1934 created the Securities and Exchange Commission (SEC), expanded the reporting requirements, and required that financial statements be attested to by independent auditors" (Cook and Winkle, 1988: 14). The title of the 1936 Federal Reserve bulletin, "Examination of Financial Statements by Independent Public Accountants", perhaps provides the most revealing indication of the profession's changing view towards auditing, whereas the 1929 bulletin was entitled "Verification of Financial Statements". The 1936 bulletin related to examination. Verification implies (Ricchiute, 1989: 11) auditing every transaction and event underlying financial statements, but examination implies auditing selected transactions and events. So auditors examine the financial statements in order to be able to express an opinion on them, and do not verify them. The modern era of audit standard setting began in 1939, when the AICPA created the Committee on Auditing Procedure which issued the first Statement on Auditing Procedure (SAP) after the Second World War. In 1941 the SEC issued Accounting Series Release No. 21 which in part required that an auditor state within an audit report whether the audit was conducted in accordance with generally accepted auditing standards applicable in the circumstances. At that time, no written standards existed. Therefore, in 1947, fourteen years before *Philosophy of Auditing* was published, the AICPA's committee on Auditing Procedure issued its Tentative Statement of Auditing Standards- their generally accepted significance and scope. In the 1948 UK Companies Act the auditor was required to report on the truth and fairness of a company's profitability for the financial year in question and its financial position at the end of that year.

### **Modern accounting**

The history of modern accounting should be investigated from the Industrial Revolution and the development of trade. These two phenomena caused significant changes to trade. In the mid-19th century, such factors as (1) separation of ownership from management, (2) dispute between trade owners and financial reporters, and (3) more complication of trade operations and probability of mistake in preparing financial bills caused the occurrence of special disputes; that is to say, the form of reports changed and attention to book registries increased and the need to managing auditing affairs was felt more than ever. Firstly, auditors should have found mistakes; secondly, they should have discovered cheatings, and auditors were expected to control all financial operations. Notwithstanding, auditing costs rose and were not economical; consequently, the necessity to generate effective domestic controls was taken into consideration, and with respect to generating of effective domestic

controls, auditors sufficed only to auditing of specific percent of operations and the role of auditing changed. Investigating samples of operations appertaining to headings, independent auditors did not absolutely concentrate on cheating or the authenticity of all financial operations and, instead, investigated financial operations based on the selected samples and expressed his opinion concerning the financial bills. Under these circumstances, the need to provide standards and principles of auditing as well as rules of professional behavior, which was one of the most basic conditions for forming of professional societies, was felt.

In the historical investigations, the first official law to fulfill governmental inquiries dates back to 1634 in Italy. In most countries, some laws have been approved for governmental auditing and supervision. Currently, nearly most countries have provided and applied standards of governmental auditing. Progress and development of countries in terms of governmental auditing and the necessity of coordination in auditing affairs, educating and providing auditing instructions led to the formation of international organizations of governmental auditing.

### **Introducing international auditing organizations**

International organization of supreme audit institutions (INTOSAI) has been formed as an outstanding organization worldwide in the field of governmental auditing in the level of member countries of the United Nations, playing a major role in auditing the accounts, states' operations and increasing proper management of financial affairs and governments' respondents. This organization helps its members achieve the afore mention goals by offering information, experiences, and latest technical and auditing achievements. This organization was founded in 1953 with the membership of 34 countries, and over 170 countries are among its members now. Lima's Manifestation, which was approved in the 9th International Congress of INTOSAI, delineated framework, goals and duties of this organization. The organization's articles of association were revised in 1992, approved in the 14th Congress of the organization in Washington. This organization prepares international instructions on auditing, financial management and methods of accounting and presents them to the members. Offering education and exchanging of knowledge and information among the members are duties of this organization. The organization has such institutions as follows:

### **Institutions and organization**

INTOSAI organization has the following institutions:

1. International Congress of supreme auditing institutions, held every three years, aimed at gathering all members

simultaneously in one place to exchange experiences, hold discussions, present recommendations, and improve governmental auditing.

2. Board of Directors, held annually, comprising 16 members. Board of directors is chaired by the country in which the congress is held.

3. General secretariat located in Austria, presenting official and logistic services to the organization. At present, Dr. Frantiz Fidler chairs the National Audit Office of Austria and he is the secretary general of INTOSAI organization.

4. Regional work groups, numbered at seven, pursue the goals of INTOSAI in their areas. These groups are:

- a) Asian Organization of Supreme Auditing Institutions,
- b) European Organization of Supreme Auditing Instiutions,
- c) African Organization of Supreme Auditing Institutions,
- d) Arabian Organization of Supreme Auditing Institutions,
- e) Caribbean Organization of Supreme Auditing Institutions,
- f) South Pacific Ocean Association of Supreme Auditing Institutions, and
- g) Latin American and Caribbean Organizations of Supreme Auditing Institutions.

5. Committees and work groups in which most of INTOSAI's technical work is studied and investigated. These committees and work groups include: auditing standards, standards of domestic control, auditing standards, national debts, computational auditing, privatization, program assessment and environmental auditing.

## **TRACE OF AUDITORS IN**

### **IRAN Traditional auditing**

The history of this topic in Iran goes back to the first civilizations emerged in this land. 2500 years old documents and proofs testify the progress of this knowledge in the ancient Iran. Wherever in our country someone was entrusted with a source by proxy, the need to periodically revising and inspecting it was felt. In the history of ancient Iran, it has been quoted from Gezenfon that "Cyprus made an effort still continuing". Every year, he sent off a group of armies together with one or more inspectors to different areas of the country to become informed of rulers' manner of earning and spending money. These inspectors were so important that when they came to people, people said: "King's eye has come". In the Sassanian era, National Accounting Office (Treasury) chaired the accounts and State Aristocratic Office headed the aristocracy. They were trustworthy people who prepared reports on the Treasury (State Office of Vindication) periodically and submitted them to the rulers. Ma'mun, Abbasid caliph says: "Each government must have 4 officers, namely, fair judge to spread justice, healthy police for maintaining of security,

competent collector who controls tax and governmental charges and an inspector who supervises these three people. Khajeh Nezamol Molk states: "The government should have inspectors for the sake of its firmness so that strength is provided in the government". Governmental systems should be supervised and the ruler should be informed. If any cruelty occurs or any tax is received baselessly or there is no inspector or the inspector knows that it is not needed, or the inspector does not act knowingly, this government is doomed to ruin.

## **Modern auditing**

The historical way for the emergence of modern accounting and auditing in Iran was paved during the constitutionalism and people, due to what had happened to them, and wanted the governmental and royal income and expenditure to be organized besides such demands as house of justice. The first law of supreme audit court was approved in 1910 based on the 101st, 102nd and 103rd principles of the addendum to the Constitution in four paragraphs and 141 articles, approved by the second run of the then National Consultative Assembly. In the Business Act of 1932, we face the name of "inspector", who went to companies for inspection. 1970, the word "auditing" was first used by the late Esmaeil Erfani. The late Esmaeil Erfani and Hasan Sajjadinejad (co-founders of Oil Faculty of Accounting and Financial Sciences and co-founders of Iranian Association of Accountants) as well as the late Fazlollah Kobra (the founder of Faculty of Official and Commercial Sciences of University of Tehran and Aziz Nabavi (founder of Supreme Institute for Accounting) are the pioneers of accounting and auditing in Iran. Dr. Aziz Nabavi established the supreme institute for accounting. This institute was the first independent faculty founded for teaching specialized fields of accounting in the Middle East. Its articles of association and triple bachelor programs in governmental accounting, industrial accounting and auditing were approved in the 62nd session, held by the Central Council of the Iranian Universities on October 31, 1964, this effort resulted during a 9-year course to the graduation of about 6000 people from this faculty, and many current experts in the country are graduates of supreme institute for accounting.

## **Supreme audit court**

### ***Definition of supreme audit court***

Supreme audit court deals with all accounts of the ministries, institutes, governmental companies and the systems using entire budget of country in a way and sees into accounts or audits them as ordered by law to ensure that no cost has exceeded the approved credits and any

sum has been spent in its right place. Supreme audit court collects relating accounts and deed and documents and submits its report on deduction of annual budget together with its opinions to the Islamic Consultative Assembly. This report should be available for people. Supreme audit court is on the mission of seeing into the calculation of expenses and general benefits given every year by the cash owners to the said office and judges in accordance with the law. Also, it sees into the accounts of Minister of Finance and those of other ministers by means of deeds and accounts owners submit. Its report submitted to the National Consultative Assembly asserts the conformity of ministers' budget with the budget passed through the parliamentary and states the defects in the calculations it has seen in the above report together with the amendments.

### ***History of supreme audit court***

On the whole, the history (of account) can be considered dating back before the history of script and writing, originating from the time of primitive men and counting can be treated as the first quantitative and practical contact among men, for the oldest written documents around the world stem from the bills and dictionaries, and naturally, keeping the record of things is one of the social needs of man. Accounting and giving accounts originate from the age of Sumerian's passage ways, and accounting emerges as bilaterally keeping the books in the European renaissance. Then, governments used it as the lever of controlling income and expenditure, and reasonable registering and recording system caused by the responsibility of rulers toward people and fond a special position among its hierarchy and financial system starts from the Achaemenian era in Iran. After Iranians converted to Islam, there have been such occupations in managing auditing affairs as minister and governor, accountant, distributor, and so on, and all employees engaged in financial affairs and active in calculating income and expenditure of country were known as "accountant". And during Safavia an Qajar eras, financial affairs had developed, and Amirkabir established the first ministry, that is, Ministry of Finance, and one of the fields of Darolfonoon School became accounting from 1225 after hegira and graduates of this field were conferred degrees. After approving the supplementary Constitutional Law (1907), calculations and deducting current account are the subjects which have determined the base of accounting and auditing.

Supreme audit court came into existence base on the 101st to 103rd principles of the Constitution and it's supplementary in 1907 and its law has been. National Audit Office has been structured in such a way that its manager was elected individually and members of its court were collectively elected by the National Consultative Assembly. Supreme audit court dissolved

dissolved in 1923, re-established in 1933, comprising 3 advising branches. The chair of the first branch was the same as that of Office of Calculations, and each branch had sufficient auditors. In Supreme audit court, one person was elected as the public prosecutor and enough lawyers had been appointed. In the meantime, Supreme audit court was affiliated to the Ministry of Finance and Minister of Finance recommended 27 people from the official civil servants to the National Consultative Assembly and the Parliamentary elected 18 people from them. Minister of Finance appointed half (9) of them as the president and members of triple advising branches and the other half were deputies who were appointed as substitutes in case of decease, resignation or retirement one of the presidents or members of branch or if the Minister of Finance necessitated changing one of them. Election of members of office was renewed by the Parliamentary every three years and former members could be re-elected.

Public prosecutor of the office was elected by the Minister of Finance as ordered by the King, and auditors and clerical members were employed by the Ministers of Finance within the regulations. From 1934 to 1973, that is, for about 40 years, no change occurred in the law of the National Audit Office and it was still run by the Ministry of Finance.

In 1973, the law of National Audit Office was generally revised, and the Minister of Finance was obliged to introduce advisors and their substitutes within 3 months upon the opening of every round of National Consultative Assembly and to introduce 40 qualified persons to the Assembly. Parliamentary Committee of Finance and Budget elected 15 persons as principal members and 5 as alternate members from total 40 people, and 15 people fulfilled their duties in 5 Advising Branches. The president of the 1st branch of Advising Board was the director general of National Audit Office, appointed as proposed by the Minister of Finance and by the King's order and deputy of the director general was also appointed as proposed by the director general of National Office and by the order of Minister of Finance. Supreme audit court public prosecutors was elected and appointed from the qualified official servants of the Ministry of Finance and on behalf of the Minister of Finance, and was charged with the presidency of the Supreme audit court, and assistants to the public prosecutor general of National Audit Office were appointed as proposed by the public prosecutor and under the order of the Ministry of Finance. Mirza Shamseddin Jalali, Hassanali Kamal Hedayat, Nasrollah Saba, Mohammad Mehdi Shahrokh, Ahmad Zarghampoor, Asadollah Karami, Mehdi Shah Maleki, Abdolvli Noor Nematollahi were the heads of the National Audit Office from 1933 to 1979.

After the glorious Islamic triumph and in the Islamic Republic of Iran's Constitution, approved in 1979, in accordance with the 54 and 55th principles of National Audit Office, it became dependent from the Ministries

of Economic Affairs and Finance and was officially recognized as an independent organization under the direct supervision of Islamic Consultative Assembly. Law of supreme audit court was approved in 1982, amended in 1983, 1984, and 1991. Islamic Republic of Iran's Supreme audit court is directly supervised by the Islamic Consultative Assembly, independent in financial and official affairs, and its required credit is separately included in the bill for budget of whole country if proposed by the National Office and if confirmed by the Committee of National Audit and Financial Affairs of the Islamic Consultative Assembly. Chair and public prosecutor of the National Office is elected after each round of law-making as proposed by the Committee of National Audit and Financial Affairs Office and if approved by the people. Supreme audit court is located in Tehran and general departments (general auditors) are located in counties' capitals 3 to 7 advising boards and a court of appeal and enough number of assistants to the public prosecutor general are among other members of supreme audit court. To determine members of Advising Board, chair of supreme audit court determines and appoints 15 people from the qualified, introduces them to the Committee of National Audit and Financial Affairs Office of the Islamic Consultative Assembly and the said committee elected 9 people as the principal members and 3 as alternate members and introduces them to the office and chairs of branch are elected and determined on behalf of chair of supreme audit court. Court of Appeal has one branch whose president is the canon ruler elected by the Head of the Judiciary, and two experts of the court are elected by then head of the office and from the advisors who did not take part in the issuance of the intended vote.

General board of the supreme audit court is held by the director general of State Audit Office and with the attendance of the public prosecutor and at least a quarter of the main advisors of the National Office upon the invitation of the head of the supreme audit court to see into the cases stipulated in the laws and its resolutions are valid by the absolute majority of the attendees present. Supreme audit court, in terms of employment rules, complies with a special bylaw prepared by the office, approved by the Islamic Consultative Assembly with observance of 74th principle of the Constitution. It should be noted that according to the enactment dated 1979, by the Council of the Islamic Revolution of Iran as of date of approval, the service of the advisors of the supreme audit court was expired, and duties of this office up to forming of Islamic Consultative Assembly and election of new advisors were assigned to a board comprising one chair and two members elected by the Ministry of Economic Affairs and Finance and approved by the Board of Ministers upon the final confirmation of the Revolution Council.

Mahmud Ruholamini was elected as the chair Parviz Afshar and Zabihollah Momayezadeh as members of

the above board in the session held on 1979 by the Revolution Council, on behalf of Minister of Economic Affairs and Finance. Since 1982, as approved by the Islamic Consultative Assembly, in the 1st round, Mahmud Pakravan was the chair and Mirjavad Atari Ebrahimzade was public prosecutor, and in the 2nd and 3rd rounds, Iraj Sefati Dezfuli was the chair, Ahmad Alizade was public prosecutor, and in the 4th round, Alireza Rakhshanderu was the chair and Lotfollah Atabaki was the public prosecutor, and from the beginning of the 5th round, Eng. Kazem mirvalad was the chair and Lotfollah Atabaki and Aliasghar Hendi were also assistants to the public prosecutor general.

Currently, Mohammadreza Rahimi and Amiri Esfahni are the chair and public prosecutor of the supreme audit court respectively. Supreme audit court of Iran approves and executes its different educational courses in proportion to the organizational units in such various cores as auditing and supervising, management and programming, law and computer.

Educational courses are programmed in different levels, that is, specialized, general and executed for all organizational levels according to the educational calendar. In addition to the educational programs relating to teaching at the very beginning of the service of newly-employed servants, other courses are intended for retraining, held in the form of during-the-military-service work and by using experienced professors, holding academic and executive records to become familiar with the latest changes in the issues raised in the discussions pertaining to specialized and general educational courses.

Up to 1999, supreme audit court planned and executed its courses concentrated and had a very slow procedure, and this matter is revised by implementing the plan of education middlemen in the provinces based on occupational education plan of the employees and is presently executed with an acceptable procedure. Educational courses in the supreme audit court are executed in two forms, namely, face-to-face or distant. Courses of the former type have been designed in connection to the practical and applied issues, and theoretical and value-related educational courses are executed through non-face-to-face teachings.

Some of these courses are executed by the other educational organs, and most of these courses relate to the logistic jobs and some of them include educational management courses as well. Planning and executing educational courses is fulfilled by the General Department of Education in the supreme audit court, supervised by the deputy for planning and executive affairs.

### ***Members of supreme audit court***

The personnel of the supreme audit court of Iran are as follows:

Director General: 1 member;  
Public prosecutor: 1 member;  
Advisor: 12 members;  
Head of department: 40 members;  
Expert: 130 members;  
Auditors: 700 members;  
Deputy for director general: 4 members;  
Assistant to the public prosecutor: 12 members;  
General auditor: 12 members;  
Director General & deputies: 90 members;  
Senior expert: 30 members;  
Non-technical employees: 150 members; and  
Employment members without position: 1800 members.

Allowed number of the personnel in the supreme audit court is about 3000 members based on the organizational chart, and from this amount, about 1800 members have no positions and from the 1200 personnel available, about 700 members are directly engaged in auditing. These members are recruited once they pass through such different stages as scientific selection, technical interview and general competencies and by holding bachelor degree and higher degrees.

Academic fields accepted by the supreme audit court are: accounting, auditing, economics, and the sciences appertaining to financial affairs. Besides the auditors, technical experts of the office are selected from the graduates of such different fields as law, civil engineering, statistics and other fields relating to the duties of the supreme audit court.

All members recruited must pass work-start and during-the-work educational courses to fulfill their occupational duties. Professional code of conduct of the supreme audit court covers all employees and the employees enforce necessary professional cares while sticking to the principles mentioned in this bylaw.

### **GOVERNMENTAL AUDITING AND ITS STANDARDS**

It means systematic consideration and assessment of the bill for performance of the budget of entire country (deduction of budget) as well as financial operations of executive organs and units (there are institutions and organs which have general ownership based on the 44 and 45th principles of the Islamic Republic of Iran's Constitution, in such a way that they use whole budget of the country to express opinion on items and numbers in the fiscal statements and their conformity to the rules of accounting, governmental auditing, financial and calculative and regulations of the country and submitting of report on the result of the studies done to the Islamic Consultative Assembly.

### **Aims of governmental auditing**

It aims to assess the performance of each one of the executive organs in terms of activities to ensure:

1. Fiscal statements have been submitted fairly and in an acceptable way,
2. Observance of rules and regulation, including fiscal, calculative and operational,
3. Guarding and timely, desirably using the properties,
4. Efficiency of state official and fiscal rules and regulations,
5. Observing of economy and expediency in implementing plans to achieve the goals,
6. Effective and efficient use of facilities, tools and equipments,
7. Degree and percentage of realization of predetermined goals,
8. Authenticity and sufficiency of the reports prepared and submitted for the relating authorities during the year,
9. Using of sources and resources gathered in the coming planning.

### **Types of governmental auditing**

#### ***Financial and competence (traditional) auditing***

In this investigation, the auditor expresses his beliefs based on the following:

1. Have the fiscal operations of the pending executive organ carried out desirably in accordance with the rules of accounting and auditing, especially governmental type?
2. Has the pending executive organ observed the related rules and regulations?

As clear, in the general sector, auditor is charged with the task of conforming fiscal activities to the relating rules and regulations and expressing opinion in this respect in addition to considering and expressing opinion on the authenticity of the fiscal operations and values based on the rules of the governmental accounting and auditing. Thus, governmental auditing includes financial auditing and observance.

#### **Financial auditing**

Governmental auditing includes auditing fiscal statements and other types of fiscal auditing:

A) Auditing the fiscal statements, that is, whether the fiscal statements of a trade unit have been audited and the fiscal status, operations results and the cash flow have been accepted based on the principles or not, yields to fair accounting and generates logical ensure.

B) Other types of auditing can include the following:

i) Erasures in the fiscal statements and information (e.g. income and expenditure bill, receipt and cash payments statement, and fixed assets statement), applications for budget, the bill of inconsistency between the predicted and actual fiscal performances.

ii) Internal controls relating to observance of rules and regulations, including supervision on: (1) proposal for price, (2) accounting, and (3) reporting on free aids and contracts (including proposals, sums of accounted bill, claims cancelled until termination of work...).

C) Internal controls over financial reporting or looking after assets, including controls for using of computer systems.

D) Observing rules and regulations and seeing into cheating.

#### **Competence auditing**

Conforming financial activities to the relating rules and regulations like articles of association, enactments of the general meeting, work laws, trade and so on. Observance auditing is also named "seeing into law". This term is more suitable than observance auditing especially in the general sector in which all activities of the executive organs should be carried out in accordance with the relevant rules and regulations.

#### **Operational auditing**

Operational auditing is defined as the consideration and it is conforms the fulfilled operations to the predetermined plans and assessing the result obtained from viewpoints of economy and economic expediency, degree of efficiency and effectiveness and expression of opinion and suggestions as to manner of development of operations.

In this investigation, the auditor assesses the resources for information provision to be informed of the following:

- i) Are the operations and activities of the pending organs properly controlled?
- ii) Do they provide exact and reliable information for the people in charge of executive organ and competent authorities?

This supervision is carried out with the following methods:

A) Efficiency auditing: This type of auditing makes it clear that how much yield the pending organs receive from the consumed resources. In general, efficiency auditing is intended to ensure whether human resources, working tool and financial resources are best used by the pending organ.

B) Economical auditing: This investigation is aimed at seeing whether pending organ has achieved maximum yield with a predetermined quality or not. Was the progress of the operations with low cost possible? Were the costs spent on progress of the operations economically justifiable?

C) Sufficiency auditing: In this investigation, the following are determined:

i) Were the results expected from the execution of civil

**Table 1.** General information of participants.

Item	Variable	Frequency	Percentage
Gender	Male	303	65.87
	Female	157	34.130
Educational background	B.A	317	68.91
	M.A	141	30.65
	PhD	2	0.4
Field of the Study	Accounting	271	58.91
	Management	159	34.56
	Economic	30	6.53
Experience	Less than 5 years	141	30.65
	6-10 years	99	21.53
	11-15 years	111	24.13
	16-20 years	79	17.17
	More than 21 years	30	6.52

**Table 2.** Results of testing first hypothesis.

Test	Value	S.E	Sig.
Kendall's tau-c	0.437	0.104	0.000
SommersÁd	0.453	0.106	0.000
Gamma	0.499	0.113	0.000
Spearman	0.572	0.121	0.000

plan or current activity in the pending organ achieved?  
ii) Were the goals the Legislature or the governmental board or other relevant authorities had set by civil plan or by current predetermined activity realized?

## RESEARCH HYPOTHESES

The below hypotheses were postulated in this study.

1. Iranian supreme audit court's auditors do their jobs exactly according to rules and regulations.
2. Job promotion is depending on auditors' background and resume only.
3. Iranian supreme audit court's auditors have high motivation at the time of carrying own duties.
4. Auditors is strongly supervised by the own managers in supreme audit court in Iran, and
5. Auditing standards were followed by Iranian supreme audit court.

## RESEARCH METHODOLOGY

There are two kinds of data that can be collected for a study.

Primary data are data that the researcher gathers for a defined purpose and secondary data are data that have been collected by others for another purpose. Since it is cost efficient and easier to use data that already exists, secondary data are first used in a study. The usage of secondary data gives the researcher the possibility to read existing material on the subject and to receive a view of the existing models and theories concerning the subject. The data for the present study has been collected from both primary and secondary sources. Secondary data was collected from various textbooks, journals, reports, magazines, dailies and has also been collected from web sources using the popular search engines like Google, yahoo and powerful databases such as Emerald, Ebsco and Elsevier. Primary data Five- Likert scale questionnaire were designed and developed. The questionnaire rated 5 strongly agree to 1 strongly disagree. A survey questionnaire was completed by the financial managers of Iranian corporations. The questionnaire contains two parts namely (A) bio-data and (B) this section includes several deep questions related each hypothesis. The questionnaire was distributed among the 550 auditors in Iranian national audit office. Data collection took place in the end of February, 2009 during 3 months in Tehran Capital of Iran; which the main office is also located in Tehran. Out of 550 questionnaires were distributed, 460 useable questionnaires were collected. The response rate was 83.64% which is a very acceptable returning rate. Before going to the main body of questionnaire, the general information of participants is presented in Table 1. This table shows several variables of participants such as Gender, Educational records, Field of the study of participants and Experience. Regarding gender as it is clear, majority of participants are male with rating 65.87% followed by 34.130% female. To conclude the majority of participants were males.

Out of 460 participants, around 317 had got B.A in accounting or related fields; followed by M.A degree with number of 141 participants. Least number of participants has got PhD namely 2 participants. Regarding the field of study of participants, they were studies in accounting, management and economic respectively. About the experience of participants, most number of participants had experience less than five years followed by 11 - 15 years experience rating 24.13%. Only 30 participants had more than 21 years experience. To conclude majority of participants had got B.A degree in accounting or management and had less than five years

**Table 3.** Results of testing of hypothesis.

Test	Value	S.E	Sig.
Kendall's tau-c			
SommersÁd			
Gamma			
Spearman	-		

**Table 4.** Results of testing hypothesis.

Test	Value	S.E	Sig.
Kendall's tau-c			
SommersÁd			
Gamma			
Spearman			

experience.

**Testing of hypotheses**

To analyzing the hypotheses, various tests will be used namely: Kendall's tau-c, SommersÁd, Gamma, and Spearman. Here at first time, the first hypothesis will be tested which is:

**H1:** Iranian supreme audit court's auditors do their jobs exactly according to rules and regulations. According to the results of Table 2 because the index of three tests, research hypothesis is strongly accepted and null hypothesis is rejected. In other word, Iranian supreme audit court's auditors follow audit work in accord with rules and regulations. It is safe to say that thesis results pointed the strength point of Iranian supreme audit court.

**Second hypothesis**

**H1:** Job promotion is depending on auditors' background and resume only. According to the results of Table 3 the results of several tests show that the research hypothesis is rejected and null hypothesis is accepted, in other word, job promotion is not depending on auditors' background and their resume only. However, is common rule that according to performance, background and resume clerks should be promote.

**Third hypothesis**

**H1:** Iranian supreme audit court's auditors have high motivation at the time of carrying own duties. With regard to Table's results, one can come to this point that auditors' do not have high motivation at the time of conducting own duties, so the research hypothesis is rejected and null hypothesis is accepted. The authors strongly believes the results of this hypothesis is very powerful alarm to Iranian National Audit Office that top managers should create high motivation to such clerks, otherwise without motivation, no efficiency.

**Fourth hypothesis**

**H1:** Auditors is strongly supervised by managers in supreme audit

**Table 5.** Results of testing hypothesis.

Test	Value	S.E	Sig.
Kendall's tau-c			
SommersÁd			
Gamma			
Spearman			

**Table 6.** Results of testing hypothesis.

Test	Value	S.E	Sig.
Kendall's tau-c			
SommersÁd			
Gamma			
Spearman			

court in Iran. According to the results of three tests in Table 4, the results show that the research hypothesis rejected and null hypothesis is accepted, in other word, auditors do not supervised by top managers. In view of sense, all clerks at any place should be supervised by top managers. In such conditions managers can direct subordinates to organizational objectives. In nutshell, without supervision it is very hard to achieve organizational objectives.

**Fifth hypothesis**

**H1:** Auditing standards were followed by Iranian supreme audit court. Standards should be followed in any aspects, without following guidelines it is easy to say that going concern of any institution is questionable Table 5. The results of last hypothesis show that auditing standards are following by Iranian supreme audit court, so the research hypothesis is accepted and null hypothesis is rejected Table 6.

**RESULT AND CONCLUSION**

The results of this study unearth some strength as well as some weakness of Iranian supreme audit court. The authors came to conclusion that auditors doing their own duties exactly according to the rules and regulations. Further, it can conclude that job promotion does not obey any guidelines and background of auditors. The results gave a very crossroad alarm to managers. So, the authors believe that this point is one of the important weaknesses of Iranian supreme audit court. According to these results, the auditors do not have high motivation at the time of conducting work and practicing job. It should be improved by any reward which the clerks used in looking for it. In addition, the results showed that auditing standards are followed by Iranian supreme audit court, that is, this strength of office. Last, but not the least, the results also showed that auditors are not supervised by managers. In a nutshell, the authors came to a final conclusion that because of lack of supervision, the auditors do not have sufficient motivation. So this

weakness should be improved in near future without killing time.

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