



THE ROLE OF THE FEDERAL OFFICE OF FINANCIAL SUPERVISION IN AUDITING INDUSTRIAL ACTIVITY TO ACHIEVE SUSTAINABLE DEVELOPMENT

Raid Hassan Ali⁽¹⁾

raidhassan2007@yahoo.com

Waad Hadi. Abd(2)

Waad1985@mu.edu.iq

Akeel Dakheel Kareem(3)

aqeel2017@mu.edu.iq

Al-Muthanna University, College of Administration and Economics

Article history:	Abstract:
<p>Received: 30th March 2022</p> <p>Accepted: 28th April 2022</p> <p>Published: 10th June 2022</p>	<p>The research aims to Shedding light on the nature of financial control and sustainable development in terms of dimensions and objectives.as well as Linking the observations of the Office of Financial Supervision to the dimensions and objectives of sustainable development and its relationship to industrial activity The researchers reached a set of recommendations, including: The contribution of the activities of coke and refined petroleum products by (24%) by employing the workforce, followed by the activities of the other non-metallic minerals industry by (20.1%). They also found that sustainable development Means balances between things The economic, social, environmental and institutional needs of the present and future generations on the other hand. And therefore deduce The weak performance of the Ministry of Industry in contributing to the achievement of the sustainable development goals (eighth and ninth) and the eighth goal represented in: developing steady, comprehensive and sustainable economic growth for all, full and productive employment, and providing decent work for all, and its goal (developing efficiency in the use of global resources in the field of consumption and production), And the ninth goal: which includes encouraging inclusive and sustainable industrialization for all, and encouraging innovation, and its goal is (the development of inclusive and sustainable industrialization).</p>

Keywords: sustainable development, industrial activity, external control.

INTRODUCTION

There is an effective role for the Federal Office of Financial Supervision in evaluating the performance of government

institutions through an integrated control system that operates according to contexts and procedures that are permeated by a number of legislation and



controls industrial development for the purpose of contributing to achieving sustainable development and diagnosing the shortcomings and weaknesses in the state's activities towards achieving the goals and dimensions of development and working to reduce them and finding appropriate solutions for them and diagnosing the strengths and working to support and strengthen them as well as knowing what sustainable development is in the supreme financial oversight bodies The Federal Office of Financial Supervision has indicators for evaluating the performance of institutions, especially the public sector, and among these indicators there are some indicators related to sustainable development. In light of this, the research included five axes (research methodology, theoretical framework for sustainable development and financial control over industrial activity, censorship Federal Finance on meEnterprise Industrial development to achieve sustainable development, the fourth topic Conclusion).

RESEARCH METHODOLOGY

Research problem

The research problem is embodied in the following questions:

- Is there a role for the Federal Financial Supervision Bureau in auditing industrial activity to achieve the economic dimension of sustainable development.
- Is there a role for the Federal Financial Supervision Bureau in auditing industrial activity to achieve the environmental dimension of sustainable development.
- Is there a role for the Federal Financial Supervision Bureau in auditing industrial activity to achieve the social dimension of sustainable development.
- Is there a role for the Federal Office of Financial Supervision in auditing industrial activity to achieve the institutional dimension of sustainable development.

Research aims

The research aims to:-

- Shedding light on the nature of financial control and sustainable development in terms of dimensions and objectives.
- Linking the observations of the Office of Financial Supervision to the dimensions and objectives of sustainable development and its relationship to industrial activity.

Research Importance

The research derives its importance from the importance of sustainable development, its dimensions and objectives in industrial activity and the effective role of the Federal Financial Supervision Bureau in diagnosing observations, clarifications and reservations that contribute to protecting public money from waste and loss and preserving the share of future generations.

Research Hypothesis

The research is based on the hypothesis that:

The Federal Financial Supervision Bureau has an effective role in auditing industrial activity to achieve the goals and dimensions of sustainable development.

Spatio-temporal limits

Spatial boundaries: Federal Financial Supervision Bureau.

Temporal limits: reports of the Federal Oversight Bureau in the audit of industrial activity for the years (2015-2020).

Search Method

The inductive method was relied upon in determining the research problem to shift from the general to the specific, as well as the reliance on the deductive method in order to shift from the specific to the general by generalizing the recommendations of the research sample to the rest of the industrial activities in the country.

Data collection methods

For the purpose of completing the research, the following sources were relied upon:

(Arabic and foreign books, laws and instructions, the Internet, periodicals and academic and professional messages).



Theoretical framework

First: the concept of financial control and its importance

Financial control has gone through large and wide developments. These developments have accompanied the complexity and diversity of activities with the large size of the units and the huge human, material and financial resources used, as it is difficult day after day to ensure the conduct of the state's daily transactions, and the completed operations, errors and deviations increase, and it is possible that the matter may reach embezzlement and manipulation and leave Most of those interested in accounting and financial matters explain the financial control as it is an external control at a time when we see that the financial control bears two sides, one of which represents the control and internal audit of the institution (internal control) and the other represents the external control represented by the Office of Financial Supervision as an entity specialized in the process of oversight and auditing for all government departments in Iraq.Indicates(Kareema, Abd, & Ali, 2019)The concept of financial control is to measure the performance of the activities of subordinates to ensure that the goals and plans that have been set have been achieved. And the standard for the type of supervisory activity and the standard for the method. There are agreed stages for the supervisory process, which are setting standard standards, measuring actual performance, comparing actual performance with the standard, and taking corrective measures.

. (Siswanto & Shahul, 2017)

Second: the objectives of financial control

Financial control aims scientifically to preserve public funds and protect them from tampering. These objectives are summarized in the following main points.:(Abd, Kareem, & Kadhim, Audit Program Proposal for Local, 2019)

1. Verify that the resources have been obtained in accordance with the

applicable laws, regulations and rules, and disclose any violation or omission.

2. Verify that the expenditures were made in accordance with what was prescribed for him and ensure that public funds are properly used for the purposes for which they were allocated without extravagance or deviation, and the detection of violations in this regard.
3. Follow up the implementation of the set plan and evaluate the performance of the units to ensure that the implementation is proceeding in accordance with the established policies, to know the results of the work, to identify the extent to which the set goals have been achieved, and to detect any deviations and shortcomings that may be in the performance and the reasons for this in order to take the necessary corrective measures and to identify opportunities to improve performance rates future
4. .(Abd, Kareem, & Kadeem, Evaluating the performance of an internal control system to enhance the quality of, 2021)
5. Ensuring the integrity of laws, regulations and financial instructions, verifying their efficiency and suitability, discovering weaknesses in them, proposing treatment means that ensure the provisions of control over public money without strict procedures that may impede the speed of implementation or cause the loss of money and the frequent occurrence of embezzlement.

Fourth: Types of financial control:(Bemelmans & Louise, 2017)

1. Post censorship

The financial control began in its early stages as a follow-up control, that is, it begins after implementation with the aim of detecting errors that occur during implementation, but it takes on this image that it reveals errors at a late (later) time, with which the errors cannot be corrected or corrected.

2. Previous censorship

I mean the process of examining and auditing all the financial actions of the unit



and it is usually implemented by the internal control in that unit. It is worth noting that the internal control is not focused on financial equations only, but goes further than that and for the various activities of the unit, meaning that effective internal control works to narrow cases of waste, extravagance and manipulation. Cases of fraud and corruption are kept to a minimum, provided that all the requirements and ingredients necessary to carry out their tasks are met. Other (external) supervisory authorities may conduct a previous audit of the disbursement, but within narrow limits according to what is required by the situation or central directives. (Hayes, 2005)

3. Electronic Censorship

It means computer control and the adoption of the control system on the use of computers in the exercise of the control process according to computer programs prepared specifically for this purpose in order to achieve economy in effort, time and cost in reaching the required results.

Fifth: sustainable development concept and definition

The beginning of sustainable development as a concept was in the Stockholm Declaration of 1972 on the Human Environment Conference, as it presented a new concept of development not in the environmental context, but with regard to social and economic applications. He expressed the necessity of sustainable development in Article (8) of the Declaration, which affirms that development is an economic and social necessity. To secure a livelihood by creating conditions to improve well-being and standard of living. It was also issued by the Conference on Environment and Development (Earth Summit) in Rio de Janeiro, Brazil in 1992, as the concept of sustainable development emerged, which is based on the harmonization between population, environmental and natural balances. Present generations live without harming future generations (Kadhim, Abd, & Kareem, 2020)

- Sustainable development also means maximizing the net human benefits in the long-term on the one hand, and on the other hand reducing environmental costs. The net human benefits include income gains, reducing the level of unemployment and poverty, as well as improving the quality of the environment and living a healthy and healthy life. The concept of sustainable development is a big idea that contributes to reviving the collapse that occurs in natural resources as a result of the failure of planning and the restoration of life to those resources. (Harris, 2000)
- It also means sustainable development as being compatible between the economic, social, environmental and institutional balances on the one hand, and the needs of current and future generations on the other. (Nations, 1992)

Sixth: Sustainable Development Goals

The United Nations Development Summit entitled (Transforming Our World for People and Planet) for the period from 25-27 September 2015 in New York, United Nations Headquarters, presented a set of 17 goals with 169 goals related to sustainable development compared to the Millennium Development Goals amounting to (8) goals and (21) goals. The reason is due to the complex challenges facing the world, which requires covering a wide range of issues, as well as a radical treatment of problems, not just presenting them. (Voigt, 2015):

The first goal: to eradicate poverty in all its forms and anywhere.

- ✓ The second goal: to eradicate poverty and hunger, provide food security, improve nutrition, and promote sustainable agriculture.
- ✓ The third goal: to ensure healthy lives and promote well-being for all people.
- ✓ Fourth Objective: Ensure the quality of inclusive and equitable education and



- enhance lifelong learning opportunities for all.
- ✓ Fifth goal: Achieving gender equality and empowering women.
 - ✓ Sixth Objective: Ensure the existence of a sustainable management that provides water and sanitation services for all.
 - ✓ The seventh goal: to ensure universal access to modern energy services at an affordable cost.
 - ✓ Eighth Goal: To promote sustained, inclusive and sustainable economic growth, full and productive employment, and the availability of decent work for all.
 - ✓ The ninth goal: To build resilient infrastructure, stimulate inclusive and sustainable industrialization and encourage innovation.
 - ✓ The tenth goal: to reduce inequality within and between countries.
 - ✓ The eleventh goal: To make cities and human settlements inclusive of all, safe and sustainably.
 - ✓ The twelfth goal: to ensure sustainable consumption and production patterns.
 - ✓ Thirteenth Goal: Take urgent measures to combat climate change and its effects.
 - ✓ The fourteenth goal: Protect and sustainably use the oceans, seas and marine resources to achieve sustainable development.
 - ✓ Tenth Fifth Goal: Conserve, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse biodiversity loss and land degradation.
 - ✓ Sixteenth goal: Promote inclusive and orderly societies to achieve sustainable development.
 - ✓ Seventeenth goal: Strengthening the means of implementation and revitalizing the global partnership for sustainable development.

Seventh: The dimensions of sustainable development

The Rio de Janeiro Conference, known as the Earth Summit in Brazil in 1992, emphasized sustainable development as having three basic dimensions: social, environmental and economic. The Rio +20 Declaration also stressed the importance of finding a strengthened institutional framework for sustainable development that is inclusive, transparent and effective, and to develop common solutions. Related to the global challenges that hinder access to sustainable development in its good form, as there are four dimensions of sustainable development, and these dimensions can be described as follows

- 1- The economic dimension: This dimension aims to improve the social welfare of the human being through his share in the necessary goods and services, the availability of the main production elements, foremost among them (stability, organization, knowledge, capital), and raising the level of efficiency, economic and effectiveness for individuals and institutions concerned with the implementation of procedures and development programs, the increase in Growth rates in the various fields of production through which the individual income rate increases and the relationship and feedback between inputs and outputs are stimulated.
- 2- Environmental dimension: Environmental management in its balanced form is a necessity for the development process, And that poverty is the most prominent factor that raises the risks of environmental destruction in developing countries, and that the concept of sustainable development that includes meeting and filling the needs of the current generation without draining the needs of future generations is based in its first item on the balance between the economic system and the ecosystem (fighting the



- depletion of natural resources) taking into account security environmental.
- 3- The social dimension: the social dimension centers on achieving social equality in the distribution and availability of social services, including health, education, gender equality, accountability and participation in decision-making. As there is a strong correlation between the basic areas on which the sustainable development process depends, as this relationship is a conditional relationship, and in order for development to be continuous, there must be a balance between the systems that include the relationships between human and natural societies, which include the biosphere, the social environment and the technical environment, and that Each of these three areas includes a number of activities that overlap with each other in order to achieve sustainable development.
 - 4- Institutional dimension: The public sector administrations and institutions represent the executive authority of the state that formulates and implements its social, economic and environmental development policies. The state provides services and benefits to its citizens and citizens. Hence, the achievement of sustainable development, the steady advancement of societies, raising the level and quality of life of individuals, securing their human rights and providing a good framework for their commitment to their duties. Toward society and the state, all of which depends on the extent to which its institutions and management are successful in performing their functions and missions.

Practical Side

The role of the supervisory board Federal Finance industrial facilities to achieve sustainable development

First: the statistical concepts and terms found in the research

- 1- The degree of industrialization: is the percentage of the contribution of the total value of inputs in relation to the total value of production
- 2- Supplies: it is the sum of the value of raw materials + the total value of packaging + the value of the sum of other commodity requirements + the value of service requirements.
- 3- Output is equal to the value of commodity production + the value of non-commodity production.

Second: For the analytical results of some statistics of large industrial establishments for the year 2020

1- Number of establishments

The final results indicate the number of large industrial establishments operating for the year 2020 reached (719), as they are distributed according to the main economic activity to the activities of the extractive industry (except for oil) and the manufacturing industry. It accounted for (50%), followed by the activity of the food products industry by (30%), while the rest of the activities amounted to (20%) of the total different industries, and by comparing the number of operating establishments for the year 2020 with the year 2019, which amounted to (670), where we note an increase in the number of establishments by (7.3%) due to the growth of the private sector in most governorates. As shown in Table No. (3)

Third: The number of employees and the value of wages and benefits.

The total number of workers reached (126790) workers distributed over various industry activities, including the (473) workers without wages because they are



the owners of establishments or their families in the private sector. Coke and refined petroleum products activities contributed by (24%) to employing manpower, followed by the activities of the metal industry Other non-metals with a rate of (20.1%) and despite the increase in the number of establishments, there is no decrease in the number of employees when comparing previous years, which numbered (135629), with a decrease of (6.5%) due to the new retirement law that reduced the number of employees in the public and government sectors, which It was implemented at the beginning of the year 2020, as well as the Corona pandemic, which negatively affected the Iraqi economy in general and industrial activity in particular. Consequently, these factors led to a decrease in the number of wages and benefits for this year, which amounted to (1408) billion dinars, compared to (1554) billion dinars for the

year 2019, i.e. a decrease of (9.4%) as shown in Table No. (1)

Fourth: The value of production and supplies

Despite the increase in the number of facilities, production decreased to (6717) billion compared to (7316) billion for the year 2019, i.e. a decrease of (8.2%), and the reason for this is due to the conditions that the world and the country have experienced as a result of the Corona pandemic (covid 2019) Which led to the establishments stopping production for some months. All industrial facilities were affected by the production of raw materials, primary and other requirements, with a decrease in production amounting to (3476) billion, and compared to the year 2019 which amounted to (3825) billion, and the percentage of decrease was by (9.1%), as shown in Table No. (1)

Table (1) Summary of industrial survey results for large industrial establishments (cumulative) for the years (2017-2020)

Degree of change % (2019-2020)	2020	2019	2018	2017	Indications
7.3	719	670	627	574	Number Facilities
6.5-	126790	135,629	115986	114,497	Number the workers
9.4-	1408	1554	1306	1255	The value of wages and benefits (billion dinars)
8.2-	6717	7316	6410	6937	Production value (billion dinars)
9.1-	3476	3825	3678	3359	Value of supplies (billion dinars)
22.6-	6070	7846	6131	5862	Sales value (billion dinars)
7.1-	3241	3490	2732	3579	Added value (billion dinars)

As we note through Table (1), the added value has decreased, amounting to (3241) billion for the year 2020 compared to the year 2019, which amounted to (3490) billion, with a decrease rate (7.2%), due to the fact that the relationship is direct between (production, supplies) and the added value as found in the table above. ..



Table (2) The most important analytical indicators for large industrial establishments (cumulative) for the years (2017-2020)

Degree of change % (2019-2020)	2020	2019	2018	2017	Indications
1.7-	53.0	53.9	55.3	60.6	Productivity of the worker from production (Million dinars)
0.4-	25.6	25.7	23.6	31.2	The employee's productivity from the added value (million dinars)
2.1	4.8	4.7	4.9	5.5	Dinar productivity from wages
2.8-	27.4	28.2	31.8	29.3	The average employee's share of the supplies (million dinars)
2.6-	11.1	11.4	11.3	11	Average annual wage of an employee (million dinars)
1.1-	51.8	52.3	57.0	48.4	degree of manufacture %

Table (3) Indicators of industrial census results for large industrial establishments (cumulative) by sector for the year (2020)

the total	mixed	general	Special	governmental	Indications
719	7	60	634	18	Number of establishments
126790	2964	97084	26071	671	number of employees
1408	10	1258	136	4	Value of wages and benefits (in billions)
6717	441	4148	2106	22	Production value (in billions)
3476	267	1744	1454	11	Value of supplies (in billions)
6070	415	3672	1961	22	Sales value (in billions)
3241	179	2404	652	11	Added value (in billions of)

Table (5) represents the value of production and sales in large industrial establishments by industry and sector section (in billion dinars) cumulative for the year 2020

Sales value	total output value	Non-commodity production value	merchandise production value	sector	industry gate
659009	659009	0	659009	governmental	Mining and
1031349	1813198	0	1813198	general	Quarrying
1690358	2472207	0	2472207	Total mining and quarrying	
21344352	21344352	0	21344352	governmental	Transformative



1959748856	2104210297	171033000	1933177297	Special	Industries
3672191111	4147664228	576432096	3571232132	general	
414696106	441118633	3342742	437775891	mixed	
6067980425	6714337510	750807838	5963529672	Total manufacturing industries	
6069670783	6716809717	750807838	5966001879	The total number of doors	

Through the data of the above table, we note the total value of sales for the (mining and metallurgical industry) for the industries amounted to (1690358) billion dinars for the year 2020 is less than the value of the total sales (the section of the manufacturing industries) amounting to (6069670783) billion and with a high drop rate (0.027) due to the presence of the door The manufacturing industries are more than a governmental, public, private and mixed sector than it is in the section (mining and minerals industry), which depends only on the government and private sector.

Table (6) Number of government companies according to industry branches of the Ministry of Industry and Minerals until 12/31/2020.

Perce ntage of compa nies that did not make profits/ total	Comp anies that have not achiev ed profits after 2003	th e tot al	textil e indus tries	indus trial servi ces	Food Indus try	Pharmac eutical indus tries	constru ction indus tries	engine ering indus try	Chemica l, petroch emical and fertilizer industry	branc h name
67%	46	69	7	6	4	2	6	27	17	numb er of compa nies

Source: Prepared by researchers, based on the reports of the Federal Office of Financial Supervision.

It can be noted from Table (4) the following: The total number of companies affiliated to the Ministry of Industry and Minerals reached (69) companies, and the percentage of companies that did not make profits after the year (2003) reached (67%) of the total company, with a number of (46) companies. Among the most important observations regarding the work of the Ministry of Industry and Minerals, which can be linked with the goals of sustainable development, are:

1. The amounts spent on rehabilitating companies affiliated to the Ministry of Industry and Minerals after the year 2003 and until December 31, 2014, amounted to (3,501,086,380,000) dinars, but despite that, there was a delay in the industrial

system and a low percentage of contribution to the GDP, as the ratio reached (2 ,4), and one of the most important reasons for this is the high production costs as a result of the increase in the number of workers in companies as a result of returning the 53,000 employees of the politically dismissed, and because of the lack of support for laws that contribute to strengthening the industry such as the customs tariff law, the consumer protection law and the product protection law. As for the total share of the public treasury from the total profitable companies, it amounted to (279,334,500,000) dinars, which constitutes (8%) of the amounts spent on



rehabilitating companies affiliated to the Ministry of Industry and Minerals.

2. The amounts received as grants or loans from the Ministry of Finance and foreign organizations to the companies of the Ministry of Industry and Minerals, knowing that most of these amounts are without interest or easy interest, amounted to (116) trillion, (one hundred and sixteen trillion), for the purpose of rehabilitating companies, but Without a positive change, the reason for this is that most of the contracts concluded for rehabilitation belong to the same ministry, as lagging contracts amounted to (141) contracts, including (26) contracts with a completion rate of zero.

3. On the field of sustainable development, the Ministry of Industry, in cooperation with the United Nations Industrial Development Organization, contributed to creating a strategy for industry in Iraq until the year 2030, in order to promote sustainable development and consolidate creative dealing with sources of wealth of all kinds. Among the most important observations, there are no practical applications regarding the strategy And that there is some response to some problems that do not lead to raising the industrial system, and also, the Industrial Coordination Council was not formed until the date of December 31, 2014.

4. Through the observations contained in paragraphs (1,2,3) above, the weak performance of the Ministry of Industry in contributing to the achievement of sustainable development goals is evident. (VIII And ninth) the eighth goal of: **with development Steady, inclusive and sustainable economic growth for all, full and productive employment, and decent work for all**, and its purpose (development Efficiency in the use of global resources in the field of consumption and production) , And then **ninth**

goal: contained T brave Inclusive sustainable industrialization for all, and encourage innovation , And

theits purpose (numbness Inclusive and sustainable industrialization) .

CONCLUSION :

1. the activities of coke coal and refined petroleum products contributed by (24%) to employing the workforce, followed by the activities of other non-metallic minerals industry by (20.1%).
2. Sustainable development consists of four dimensions (economic, environmental, social, institutional), and each dimension has a set of goals and indicators to be measured.
3. Preparesustainable development asequality Between the economic, social, environmental and institutional balances on the one hand, and the needs of current and future generations on the other side.
4. Production decreased in the year 2019 and the reason for this is due to the conditions that the world and the country have experienced as a result of the Corona pandemic (covid 2019) Which led to the establishments stopping production for some months, reaching (6717) billion compared to (7316) billion, i.e. a decrease of (8.2%).
5. The weak performance of the Ministry of Industry in contributing to the achievement of the sustainable development goals (eighth and ninth) and the eighth goal represented in: developing steady, comprehensive and sustainable economic growth for all, full and productive employment, and providing decent work for all, and its goal (developing efficiency in the use of global resources in the field of consumption and production),



And the ninth goal: which includes encouraging inclusive and sustainable industrialization for all, and encouraging innovation, and its goal is (the development of inclusive and sustainable industrialization).

10. Voigt, C. (2015). Sustainable Development as a. Library of.

REFERENCES:

1. Abd, WH, Kareem, AD, & Kadhim, HA (2019). Audit Program Proposal for Local. *International Journal of Innovation, Creativity and Change*, pp. 201-221.
2. Abd, WH, Kareem, AD, & Kadeem, HA (2021). Evaluating the performance of an internal control system to enhance the quality of. *PSYCHOLGY AND EDUCATION*, pp. 4488-4506.
3. Bemelmans, V., & Louise, M. (2017). Auditing and evaluating collaborative government: the. *Collaboration in Public Services*. Routledge, p. 179-206.
4. Harris, JM (2000). *Basic Principles Of Sustainable Development*. Development And Environment Institute .
5. Hayes, R. (2005). *Principles of Auditing*. British: British Library Catalog-in-Publication.
6. Kadhim, HA, Abd, WH, & Kareem, AD (2020). The impact of environmental auditing on the environmental . *Ilkogretim Online - Elementary Education Online*, pp. 2801-2812.
7. Kareema, AD, Abd, w. H., & Ali, RH (2019). The Role of Internal Auditing in. *International Journal of Innovation, Creativity and Change*, pp. 297-323.
8. Nations, U. (1992). *Conference on Environment & Development Rio de Janerio*. Brazil, 3 to.
9. Siswantoro, D., & Shahul, HM (2017). Should Islamic accounting . *Media Riset Akuntansi, Auditing & Informasi*, pp. 35-55.