



## **THE ROLE OF FINANCIAL CONTROL IN REDUCING WASTE OF PUBLIC MONEY THROUGH THE MEDIATING ROLE OF SUSTAINABLE AUDITING (APPLIED RESEARCH)**

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<b>Received:</b> 21 <sup>st</sup> March 2023 <b>Accepted:</b> 26 April 2023 <b>Published:</b> 26 <sup>th</sup> May 2023	The research aims to shed light on the great role provided by financial control in the Iraqi environment, which is represented by the Federal board of supreme audit in the process of preserving financial resources and ensuring that they are not wasted and depleted, and ensuring that it is used efficiently and supporting the growth and stability of the Iraqi economy in a manner that serves sustainable development by activating the mediating role of auditing. The sustainable performance carried out by the financial control in evaluating the strategies of government institutions to identify weaknesses and strengths and identify the reasons for failure to reach the performance to the levels expected of them. By conducting an assessment of its current performance as well as evaluating its future vision, and ensuring the validity of data and financial and non-financial information related to the internal, social, economic and institutional activity and their compatibility Regulations and legislations for the protection of natural resources, as well as alerting the management of government institutions in predicting environmental risks and how to address them, limiting and minimizing the consumption of natural resources, and ensuring the optimal use of economic resources by ensuring adherence to regulations and legislations for the protection of natural resources.

**Keywords:** sustainable auditing, public sector auditing, waste of public money .

### **INTRODUCTION**

The Financial Control Law in the Iraqi environment explicitly refers to preserving public money and ensuring that it is not wasted or depleted, ensuring that it is used efficiently and supporting the growth and stability of the Iraqi economy, ( Abd , El-Toby, B & Kareem ,2023) through the role of the Federal board of supreme audit by making sure that the goals, plans and programs that are set by the executive authority aim to achieve development Economic, social, environmental and institutional, and that the financial amounts allocated to them in the annual financial budgets have been managed efficiently, effectively and economically, as the objectives of financial control are no longer limited to discovering errors, fraud and embezzlement as before, but rather the objectives of financial control expanded to discuss topics and issues related to environmental, social and economic matters, ( Kadhim, Abd, & Kareem, 2020). and this is consistent

with what was stated in the international INTOSAI 5130 standard on sustainable development, regarding sustainable development as an urgent necessity, and to ensure this, the oversight and auditing systems must be activated on the economic, social, environmental and institutional aspects, and this will be discussed in the theoretical and practical aspects to shed light on the mediating role of sustainable auditing, (Rajagukguk & Tohir, 2018) .

### **THEORETICAL FRAMEWORK**

#### **First: The concept of wasting public money:**

Public money means the set of financial, human, material and technical resources that are allocated to institutions operating in the government sector to spend on their various activities, through which the net operating balances of each institution can be measured, (Tavoletti, 2013). As it is necessary to control public spending by developing right estimates



for this spending in accordance with scientific principles, (Alaajibi, Hassan, & Abd Al Hassani, 2021) so that we ensure that public spending reflects the actual and necessary needs without increase or decrease, and so that the actual implementation is consistent with those estimates without excesses, but waste of public money indicates financial distortions and violation Financial provisions and rules currently specified in the state's regulations (administratively) and its institutions, while violating the financial control regulations and instructions. On the other hand, (Abbas, Kareem, & Abd, 2020).several concepts have been mentioned about the waste of public money, one of which indicates the use of public influence to achieve private interests that are contrary to law and public order or lack of commitment to them in order to achieve political, economic and social interests for an individual or a group. Some see it as an abuse of public authority for the purpose of achieving private gains Therefore, (Salem, 2007) it is the responsibility of the auditor to cover all financial transactions, entries, and documents that raise doubts about his validity or raise suspicions of the existence of material financial misrepresentations to ensure that all operations are recorded regularly and are correct and free from errors. Or cheating or manipulating government institutions during the process of monitoring and auditing, which ends up providing a neutral professional opinion on the fairness and validity of the financial reports of those government institutions, (Wissam & ShaimaHatem , 2016)

### **Second: The concept of auditing in the public sector (governmental institutions):**

There is a big difference between public sector auditing and private sector auditing with regard to accountability responsibility and basis. In the public sector, the legislature that obtains its authority from the citizens transfers this authority to the executive system, which is given the authority to collect public income, bear expenses, (Hasan, Atshan, & Abd, 2023). and use assets using this authority, and the authority Legislative authority to authorize financial control in preserving public funds and raising the efficiency of its use and achieving effectiveness in the programs and goals achieved by collecting and evaluating evidence of financial and non-financial information about the entity subject to audit and ensuring that the available

financial, human and material resources have been used according to what is planned as they are no longer goals Financial control is limited to detecting errors, fraud and embezzlement, (Abd, Kareemb , & Kadhim, 2019) but there are other basic objectives of the control process by making sure that the institution is working towards achieving the goals, and control also helps to make the necessary adjustments to the system's inputs and processing to ensure that it produces the required outputs and access to information, and the conflict between policy makers Thus, the concept of auditing in the public sector is: auditing the work

of government institutions that use public money to ensure that it is not wasted, and to ensure the effectiveness of compliance with the regulations and rules that govern the implementation of its activities, expressing an opinion on the financial statements and business results reports of the entities subject to auditing, carrying out control and performance evaluation work In the entities subject to audit, (AlWattar, 2022) all financial and economic plans and policies of the state should be evaluated,

### **Third: The concept of sustainable auditing:**

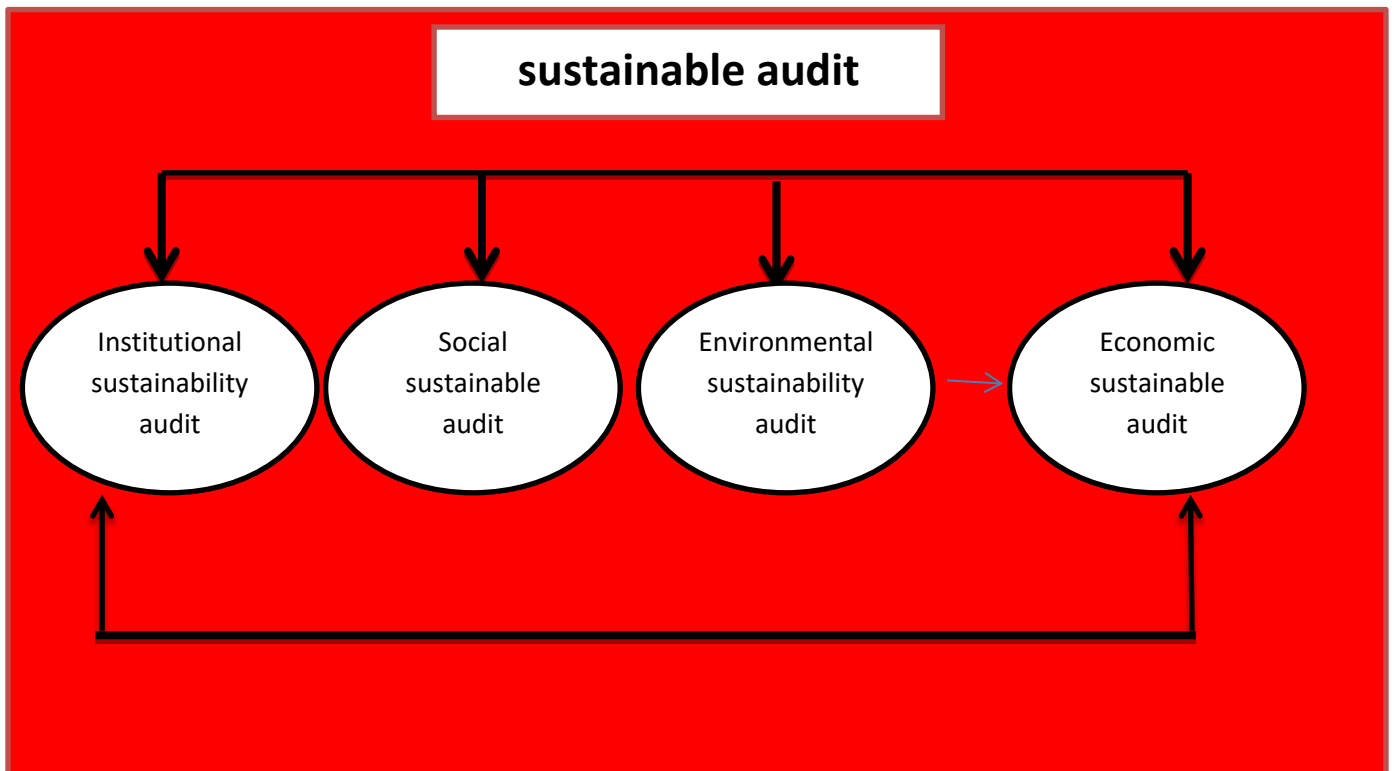
After the emergence of the concept of sustainable development and considering it an environmental doctrine with foundations and principles that facilitates the process of development in its concept, which is based on three basic concepts that make up its dimensions represented by the economic dimension, the social and environmental dimension as well as the institutional dimension, ( United Nations,, 2015) and the interest of international organizations in considering sustainable development an urgent necessity and to ensure that it must be Activating oversight and auditing devices on the economic, (Abu Zant, Majida , 2010 ) social and environmental aspects from the perspective of sustainable auditing, which is described as a professional process carried out by an independent party characterized by "neutrality in accordance with international auditing and assurance standards in order to give all relevant parties confidence and credibility in the audited institution's reports to obtain positive assurances on the management's performance With regard to economic, social, environmental and institutional matters:

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| <ul style="list-style-type: none"><li>• Sustainable social audit: It means evaluating social performance in government institutions and determining whether the programs and goals are in line with society's priorities in terms of representing the relationship between performance and social welfare.</li></ul> |
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•	Sustainable Environmental Audit: It means verifying that all governmental institutions in the country have complied with all requirements that help in preserving the environment from pollution, provided that this results in a lengthy report evaluating the company's activities in terms of their impact on the environment and clarifying the amount of obligations incurred by the organization. In general, the environmental audit does not differ greatly from the financial audit practiced by the Supreme Audit Institutions, and the auditors have to make a decision or assert that the performance that has been made regarding the environment and sustainable development is consistent with the data it contains.
•	Sustainable economic audit: or what is called performance audit. It is a measure of the good utilization of resources that are linked to specific goals. It is based on three economic pillars, from which it is deduced whether the cost of production, work and services provided is increasing relatively continuously compared to standard levels and standards. And on the efficiency component that expresses an ideal relationship between inputs (production and factors of production) and output, i.e. the extent of the efficiency of actual performance. In the use of available inputs to obtain specific outputs. And the element of effectiveness that reflects the ability and the relationship between goals and outputs, and it is assumed that this will be done at the lowest reasonable cost (economy) and within the dates and measurements specified and planned in advance.
•	Sustainable institutional auditing: It means ensuring that all activities, operations, and information of the entity being audited are comprehensive, transparent, effective, and in conformity with the legislation, agreements, and regulations issued related to its activity.

Thus, the types of sustainable auditing can be expressed in the form below





## **THE PRACTICAL SIDE**

### **The impact of sustainable auditing of the Federal board of supreme audit in reducing waste of public money**

In this aspect, the impact of sustainable auditing of Federal board of supreme audit will be shown in reducing waste of public money by presenting the most important observations issued in the annual report of the Federal board of supreme audit for the year 2020 and dividing them according to the types of sustainable auditing referred to in the theoretical aspect: (Federal Office of Financial Supervision, 2020)

#### **First: The most important observations related to sustainable social auditing:**

1- It was noted that quantities of grain incompetent for human use were stored in the warehouses of one of the branches of the General Company for Grain Trade, in addition to the presence of new, unused, stagnant foodstuffs, numbering (141) items kept in the branch's stores for long periods of time. No measures were taken necessary.

2-The use of some collection receipts for the test fees more than once by distorting the old receipts, crossing out the old name of the patient and the date of the examination, and installing a new name for another patient without fixing the collection amount, which is fifty thousand dinars in the records, in addition to the pulmonary unit examining some patients with cut and used receipts By the inspection unit without cutting another link for examination and recording it in the relevant records.

3-Thermal electrical stations suffer from neglect despite their importance because they are strategic stations, as the lost load of thermal stations is (2750) megawatts, i.e. (57%) of the total design energy of thermal stations as a result of their obsolescence and exceeding their operating hours.

#### **Second: The most important observations related to sustainable environmental auditing:**

1-The Ministry of Agriculture has not exploited some areas of date palm plants and nurseries, despite the passage of (16) years since the life of the mothers' orchards and seedling nurseries project, which will end in 2021. The value of the exploited areas amounted to (63%) of the area of the stations and nurseries. In addition, many orchards have been bulldozed and turned into non-agricultural projects, warehouses and residential homes due to the negligence of activating the laws and legislation in force.

2-The failure of the Ministry of Water Resources and its affiliated formations to rehabilitate the water installations necessary to ward off flood risks, in

addition to the presence of many transgressions on river basins, which were represented by the construction of buildings and the construction of residential homes and restaurants on the forbidden rivers, although these transgressions impede the necessary maintenance work for the main rivers from Where they are cleaned and the deposits accumulated in them are removed, and the number of these violations has reached (11477), exceeding all governorates.

3- The total accumulated deficit of Al-Rafidain State Company for Dams Implementation amounted to an amount of (13757) million dinars (thirteen billion, seven hundred and fifty-seven million dinars), exceeding (50%) of the company's capital amounting to (15) million dinars (fifteen million dinars). The percentage of accumulated deficit of the company is (87799%) of its capital.

#### **Third: The most important observations related to the sustainable financial (economic) audit:**

1- The Iraqi Company for the Industry and Trade of Cardboard and its Supplies (Mixed Shareholding) for the year ending on December 31, 2018, did not pay the installments due on it for the loan received from the Industrial Bank amounting to (2500) million dinars (two billion five hundred million dinars) at an annual interest rate of (8) The meeting of the mortgage of the property belonging to the company numbered (115/6 m3 Al Rustamiya), since failure to pay it at the end of the loan period will lead to the bank taking legal measures against the company to recover the loan amount or confiscate the mortgaged property.

2- The company entered into a partnership contract with Sama Al-Fayyad General Trading Company for investment and manufacturing (cartoon) during the year 2018, which includes the participation of both parties in the manufacture and production of cardboard layers in exchange for an amount agreed upon between the two parties according to the terms of the contract, which the investor pays to the company monthly with the aim of activating the company's revenues. However, the investor did not rehabilitate the factory and its production lines during the qualification period (6 months), in addition to the investor's failure to purchase new machines and production lines (replacement), which raise the production capacity of the company.

#### **Third: The most important observations related to sustainable institutional auditing:**

1- The technical and economic feasibility of the project was not achieved. Supplying, installing, operating and maintaining integrated electronic cards for next-



generation exchanges (NGN), which was concluded between the General Company for Communications and Informatics (the Internet Company) (SCIS) and the Swedish company Ericsson on 12/30/2010 for an amount of (3300000) dollars ( Three million three hundred thousand dollars) due to the incompleteness of its implementation, its final completion, and its introduction to the service, and thus the failure to achieve the desired revenues from its implementation, despite the disbursement of an amount of (2,155,000) dollars (two million, one hundred and fifty-five thousand dollars) for the equipment amounting to (3300,000) dollars (three million, three hundred one thousand dollars).

2- Weak technical and logistical support for the General Peace Company provided by the General Company for Communications and Informatics for the continuity of the work of the international access gates, such as providing additional cards to accommodate the new capacities entering the border crossings, in addition to the possibility that the international access gates system will stop working for a period in the event of the main control cable being cut off. Due to the lack of backup lines for it (Backup), in addition to the continuation of the General Company for Communications and Informatics to grant licenses to enter Internet capacities (type SDH) despite their knowledge in advance that these capacities are not compatible with the devices of the access gates system, which prevented their passage through these gates.

**CONCLUSIONS:** There is a significant role for financial control in the Iraqi environment represented by the Federal board of supreme audit in preserving financial resources from wastage and loss and making sure that it is used efficiently as well as raising the level of general performance in the various organs of the state and society, through the mediating role of sustainable auditing and the verification process The validity of numbers and financial information related to inter-social, economic, and institutional activity and the extent to which they are evidenced by records, verification of actual existence, and proper evaluation of the assets and liabilities of the institution, which are expressed financially. Limiting and minimizing the consumption of the country's resources and ensuring the optimal use of economic resources by ensuring adherence to regulations and legislation for the protection of natural resources and alerting the management of institutions in predicting environmental risks and how to treat them or reduce

them. As well as the process of evaluating the strategies of government institutions to identify weaknesses and strengths, identify the reasons for failure to reach the performance levels expected of them, and reconsider the strategy of the economic institution by conducting an evaluation of its current performance as well as evaluating its future vision, and determining its services provided, its geographical nature, competencies, and means of development. to achieve its long-term stability.

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