

AN INVESTIGATION OF PERFORMANCE AUDIT ROLE ON THE SYSTEM OF GOVERNMENT REVENUES (IRAQ CASE)

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ABSTRACT: *There are many controls bodies auditing government revenue in Iraq. These control bodies have created by the parliament such as the Commission of Integrity and the General Ministry Inspectors in addition to the Board of Supreme Audit (BSA). The study covers defining the accountability, audit of revenues, performance audit, taxation policy, and the sources of governmental income. This research considers how governmental revenues depend on oil revenue totally on oil revenues (about 92% in 2015). The situation has deteriorated since 2003, when Iraq has first occupied, in spite of increased revenue from taxation. The Study highlights that the State should increase its role from different organizations to control all expenditures and develop revenue streams in other sectors. Although there is an emphasis on financial and budgetary measures for financial auditing, the use of non-financial measures in determining outcome accountability is increasing.*

KEYWORDS: Government Revenues Systems, Performance Audit, Control Bodies, Accountability, Auditing.

INTRODUCTION

Auditing of revenues are an important part of government auditing. It has been engaging the attention of different controls bodies such as the Board of Supreme Audit (BSA) and in other institutions (namely the Commission of Integrity and the Inspector General of each ministry). Normally, the Ministry of Finance has its own financial control on its directorates especially for revenues and expenditures. Therefore, the Commission of Integrity has linked to parliament for special duty, for financial and managerial corruption, and submitted their reports to the Justice Ministry and to the Integrity Committee at the parliament for big corruption. While government revenues were derived from two sources, tax receipts and non-tax receipts, the major source of national revenues are tax receipts raised through fiscal statutes.

It is important to find the best method to control these revenues and achieve the necessary development in different fields that the government wishes to investment. The privatization provides a basis to resource more development, auditing bodies still need to address accountability and audit of the use of public funds. This might increase their revenues, but this situation still required more attention from the high auditing institutions to continue their control because of their ratio in tax revenues.

The state can discharge its duties only if sufficient resources are at its command. These resources have generated through various government revenues. The research has carried out in Iraq, according to two reasons. The first was the rapid dependence of this country on oil revenues and an emergence of foreign investment in different sectors. Second was the new direction of democratic regime since 2003, including elections, central, province and local governments and effective parliament.

The objectives, problems, and scope and methodology of this research are below:

Study Objectives

The research seeks to realize the following objectives:

To analysis how the State's dependence on oil revenues relative to others, increase dependence on other revenues and examine auditing to governmental revenue procedures in Iraq are appropriate.

Study Problem

The research problem focuses on how can the researcher measure the contribution of oil revenue and tax revenues to government revenues in Iraq. In addition to audit governmental revenues and their percentage of total revenues.

STUDY METHODOLOGY

The research paper will cover both theoretical and empirical materials. The theoretical side defines the performance audit, accountability, audit revenues, taxation policy and the kinds of governmental revenues. While the empirical side includes studying the economic influence of government revenues through real figures from Iraq to different types of government revenues and the auditing procedures by the Board of Supreme Audit.

Different materials, articles, reports, and sites have used to assist the research paper. Thus, the proposed paper attempts:

1. To explain the sources of governmental revenues.
2. To demonstrate the auditing procedures of control bodies.
3. To link the legislation related to government revenues.

The paper seeks to fill this important gap in the literature by exploring the need of performance audit and accountability of government revenues in particular taxes.

LITERATURE REVIEW

The auditing process is an important procedure for any revenue and expenditure. A traditional definition of accountability is the obligation to answer for a responsibility conferred. This definition often has interpreted as implying two distinct and often unequal partners: one who confers and the other who is obliged to answer. In so doing, it does not reliably address several realities in today's public management. These include (OAG, 2005: 16):

- The emergence of alternative delivery approaches, such as arrangements between the federal and provincial governments, where responsibilities may not be conferred from a senior party to a junior one, but agreements nonetheless assume accounting for results;
- The call for a much increased focus on performance-based management and results in public sector; and

- The importance of transparency as an essential feature of public sector accountability.

Beechy (2007) mentioned in his study that "a different concept of accountability is embodied in the Canadian accounting standard on non-profit organizations (NPO) accounting" (p. 4). The CICA Handbook emphasizes the purpose of the statement of operations, section 4400:

...provides information about the cost of the organization's service delivery activities for the period and the extent to which these expenses had financed or funded by contributions and other revenue. The information provided in the statement of operations is useful in evaluating the organization's performance during the period, including its ability to continue to provide services, and in assessing how the organization's management has discharged its stewardship responsibilities."

The taxation policy of a government generally seeks to apply the following desirable fiscal principles (ASOSAI report, 2010: 2):

- (a) The subjects of every State ought to contribute to the support of the Government as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the State. The observation or neglect of this maxim reflects what has called the equality or inequality of taxation.
- (b) The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.
- (c) Every tax ought to levy at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.
- (d) Every tax ought to contrive as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.

In recent years, there were many studies [Pollitt (1993), Kloot (1999), Barton (2000), Gendron, Cooper, and Townley (2001), Earl (2005), and Beechy (2007)] have been conducted in different countries in the area of accountability and performance auditing. Some of these studies investigated the role of accounting and accountability. Others studies focus on audit and accountability. Kloot (1999) uncovers a great deal of literature on performance measurement and accountability in government. Governments around the world have invested large amounts to develop performance measurement systems - the results of which are mediocre, at best. There is also a growing recognition that financial performance measures alone measure only limited aspects of an organization's performance. In order to improve performance measurement systems and accountability to different stakeholders, non-financial indicators have developed for the for-profit sector. Prior research in the local government sector in the state of Victoria, Australia, showed low levels of accountability and very little performance measurement-taking place. However, significant changes have imposed on the sector, enhancing local and central accountability, making it more business-like and focusing on the need to measure performance.

Kloot's research studied the extent to which performance measurement systems are currently use in practice in Victorian local government, the factors that lead to the use of performance

measurement, and the extent of non-financial indicators. The results revealed a substantial increase in the level of use of performance measurement in the sector, which has related to increased emphasis on accountability and organizational changes imposed on the sector by the state government. The performance of both people and programs is now measured. Although there is an emphasis on financial and budgetary measures for financial accountability, the use of non-financial measures in determining outcome accountability is increasing. Customer service and quality are two of the areas in which non-financial performance measures are developed.

While Barton (2000) notes that investigation of public heritage facilities – national parks, art galleries, and museums and so on – are now require by professional accounting standards in Australia to be valued and included in government for general-purpose financial statements as assets. The article explains the nature and significance of public goods and, how they differ from private goods. It explains why commercial accounting principles are irrelevant for public heritage facilities because their objectives are social rather than financial and why commercial valuations are irrelevant and unreliable if applied to them. Finally, it is contend that the facilities are assets held in trust for the nation by government and hence should not be included in its general purpose of financial reports.

In their study, Gendron et al. (2001) investigate the role of the state auditor in Alberta. They have analysis of the Office of the Auditor General of Alberta's annual reports to show the role of the Office has significantly changed to promote and encourage the implementation in the public sector of a particular type of accountability informed by new public management. The authors argue that the Office has increased its power to influence politicians and public servants about the merits of its specific understanding of what accountability should be. However, as the Office becomes more powerful, it also becomes more vulnerable to complaints about a lack of independence from the executive. Indeed, the Office is now so closely associated with new public management that we believe that it is difficult for the Office to sustain the claim that it is able to provide independent assessments of public-sector administration.

Performance Audit and Accountability

Accounting literature assumes that accounting and financial reporting in a country is a function of its environment (Elsayed & Hoque, 2010). Accounting, performance auditing, and accountability can considered as those parts of the formalized information used by the organizations of state to influence the behavior of their managers that leads to the attainment of organizational objectives. Accounting is gathering, organizing and reporting information that describes performance (Earl & LeMahieu, 1997). A performance audit is a systematic, purposeful, organized, and objective examination of government activities. It provides parliament with an assessment on the performance of these activities based on information, observations, and recommendations designed to promote accountable government, an ethical and effective public service, good governance, sustainable development and the protection of the state's legacy and heritage (OAG, 2005: 13).

In light of these new realities, a restatement of the underlying principles, practices and tools of accountability, which incorporates the traditional definition, could be as follows: a relationship based on obligation to demonstrate and take responsibility for performance in light of agreed upon expectations. In this view, accountability is the requirement to answer for what you have or have not accomplished that is of significance and value. This restatement implies that accountability does not require hierarchical relationships, since there is no necessary

"conferring" taking place. Accountability is seen to assumed and/or agreed to by each party in a recognized accountability relationship, even when one party does indeed delegate responsibilities to the other, as in the traditional case.

(The highlighted sections are exact copies of parts of previous sections in the article. The author used it here; therefore, all editing done on the previous section has done in the highlighted section. Editor did not remove or alter for lack of knowledge of what meaning the author was attempting to convey.)

Earl (2005) has mentioned that accountability and data are the heart of contemporary reform efforts worldwide. Accountability has become the watchword of education, with data holding a central place in the current wave of large-scale reform. The statutory role of the auditors is to provide the management with independent and objective assurance on the reliability of financial statements and of certain other information provided by the organization. However, auditing of government revenues play an important role in decision making. In particular, a fundamental use of accounting information is to help several parties make an effective decision concerning their investment portfolios. This is a vital role of accountability, which is the conversation about what the information means, how it fits with everything else known, and how to use it to make positive changes (Earl & LeMahieu, 1997). Pollitt (1993) has noted that the issue of consultant accountability for decisions remains unresolved, and consequently, attempts to identify the role of audit, and the issue of clinical quality, in the wider context of changing attitudes and policies toward professionally provided public services in general. The focus here will be on audit in secondary and tertiary settings, although Pollitt believes that most of the points made are also applicable to general practice.

Accountability is the current mantra both for non-profit organizations and for government (Beechy, 2007). There is a wide range of definitions to accountability. Many definitions that can found on the internet (more details could found in Beechy article).

Although the context and wording of these definitions vary considerably, their overall sense is that managers are responsible for explaining their actions to outsiders, whether to funders, donors, clients, or the community at large. Perks & Glendinning (1981) have shown in their paper that "Accountability in the private sector is based on conventional financial accounts with emphasis on profit, while, public concern with aspects other than profitability alone such as social performance" (p. 22). Therefore, performance indicators can play an important role in government revenue - namely in protection of the public. Thus, (Kloot, 1999) noted the following.

...there is a great deal of literature on performance measurement and accountability in government. Governments around the world have invested large amounts to develop performance measurement systems, the results of which are mediocre at best. There is also a growing recognition that financial performance measures alone measure only limited aspects of an organization's performance. To improve performance measurement systems and accountability to different stakeholders, non-financial indicators have developed for the for-profit sector (p.565).

However, Barton's study (Barton, 2000) talks about,

... the nature and significance of public goods and how they differ from private goods. It explains why commercial accounting principles are irrelevant for public heritage facilities because their objectives are social rather than financial and why commercial valuations are irrelevant and unreliable if applied to them (p. 219). While Gendron et al. (2001) posit the role of management has significantly changed to promote and encourage the implementation of a particular type of accountability informed by new management in the public sector.

In Iraq, in general has two accounting systems: one for government directorates (nonprofit organizations) namely governmental accounting system and the other one is a unified accounting system (UAS) for profit organizations. Ministry of finance is responsible of the first one, while the board of supreme audit (BSA) is pursuit of the second one. This promotes the control of these expenditures through instructions and regulations issued by the Ministry of Finance and other regulatory authorities. The information is a corner stone by which executing has done as intended. It is an attempt to evaluate the government revenues in meeting the demand of users of the system. Therefore, BSA is responsible to audit the outcome of two systems in organizations and issue its report according to that. In light of these new realities, a restatement of the underlying principles, practices and tools of accountability, which incorporates the traditional definition, could be a relationship based on obligation to demonstrate and take responsibility for performance in light of agreed upon expectations. Therefore, performance indicators can play an important role in government revenues - namely in protection of the public. In order to improve performance measurement systems and accountability to different parties, non-financial indicators have developed for the for-profit sector. As there is, also a growing recognition that financial performance measures alone measure only limited aspects of an organization's performance. Thus, Board of Supreme Audit (BSA) has used both financial and non-financial indicators in the performance evaluation reports. This includes two main groups of indicators. These groups of indicators are mentioned below (the BSA Report: 1994):

Internal Indicators

The indicators, which can cover the information from inside the project (whether are in production or service) and this include:

- i. Production indicators.
- ii. Productivity indicators.
- iii. Financial Indicators.
- iv. Marketing indicators.
- v. Personnel indicators.
- vi. Special Indicators, (which related to the nature of the project).

External indicators

The indicators, which can cover the information of economic, social, political and environmental, for a project and the extent of their effect on the results, this includes:

- vii. Economic indicators
- viii. Social indicators
- ix. Political indicators
- x. Environmental Indicators.

The results revealed a substantial increase in the level of use of performance measurement in the governmental sector, related to increased emphasis on accountability and organizational changes imposed government. Although there is an emphasis on financial measures for financial accountability, the use of non-financial measures in determining outcome accountability is also increasing.

Types of Government Revenues

The State does not depend on a single source of revenue, there are several revenue streams, which the State exploits to raise funds. These sources vary widely and have developed over time under the influence of political and economic forces in operation. The governmental revenues in Iraq can be classified as follows:

- i) Oil revenues.
- ii) Taxes:
 - a- Direct taxes.
 - b- Indirect taxes.
- iii) Revenues of the state enterprises.

Table 1 below provides an overview of tax revenues as a percentage of GDP, which is classified by revenue sources as a percentage of total revenue up to 2016.

Table (1) Tax revenue as a percentage of total revenue

	Tax revenue as percentage of G.D.P.	Revenue sources as percentage of total revenue			
		Direct taxes	Indirect taxes	Trade taxes	Others (including Oil revenue)
Developing countries (average) *	18.5	29.7	28.1	27.6	14.6
Iraq (1993)**	2.3	40.5	9.7	0	49.8
Iraq (2008)***	7.0	0.66	0.37	0	98.97
Iraq (2012)***	5.1	2.0	0.5	0	97.5
Iraq (2013)***	5.2	2.1	0.6	0	97.3
Iraq (2014)***	5.8	3.2	0.9	0	95.8
Iraq (2015)***	7.0	4.4	1.7	0	92.7
Iraq (2016)***	6.2	4.5	1.4	0	91.2

Source: Prepared by the researcher, *ASOSAI report 2010, ** Board of Supreme Audit report 1994, *** Ministry of Finance, Iraq (2008), (2012-2015), and 2016* (Estimated Budget).

This table indicates that taxes do not play a significant role in providing financial resources to the state of Iraq. It is mainly used as an effective method to tackle disparities in income levels of the citizens, which are the objective of the tax laws in Iraq. Prior to 2005, all Iraqi state employees were tax exempt. The decrease in tax revenue as a percentage of total revenue, during the past decade (from 1993 as shown in Table 1) preceding the economic sanction imposed on Iraq since 1990, is due to increased dependence on oil revenues (increasing oil price) and exemptions of income taxes for all Iraqi governmental employees.

Table 2 illustrates that the percentage of tax revenues relative to both the general state budget and G.D.P. The table illustrates the decline from 1986 to 1993, increasing thereafter although it still did not reach the levels of 1993 by 2008 and 2012-2013. In 2016 the estimated budget shows that oil revenue is in US\$ (\$62,415,000,000) on the base 3,800,000 barrel per day at \$45 per barrel. The percentage of tax revenue to oil revenue in 2012 is equal to 3.2%. Non-oil revenues will contribute less than 8% of the total public revenues in 2012, and reflects the dominance of oil revenues on public revenues and the low contribution of non-oil activities. However, withholding support for public sector industrial projects puts a significant constraint on economic development in the country's strategic direction. Since industrial development is the key to any subsequent development in other economic sectors, this leads to diversification of income sources.

The expected increase in tax revenues in obtaining tax revenues from foreign oil companies will be 350 billion ID in 2015 and 2016. The corporate income tax rose from 250 billion ID in 2011 to 304 billion ID in 2012, and to 350 billion in 2014 a change of over 22 percent for both 2013 and 2014. Most deficit in Iraqi budget has related to operating budget and the deficit in 2015 was \$21 billion and more than \$30 billion in 2016 because of the reduction price of oil. The shortage of investment budget is another reason. In general, there is a lack of foreign investment due to security situation in general and to political conflict position especially between different parties.

The complex tax laws in Iraq and the lack of appropriate management systems in the emergence of the tax difficulties prevent the measure adequate revenue to fund important services provided by the government without a large deficit in the general budget and the consequent effects on the macro-economic level.

Table (2) Percentage of tax revenue to Expenditure and GDP

Year (1)	Tax revenue (ID million) (2)	Expenditure budget of state (ID million) (3)	Percentage of (2) to (3) (4)	G.D.P. (ID million) (5)	Percentage of (2) to (5) (6)
1966	68.1	158.6	42.9	864.4	8.0
1976	179.8	1,387.7	13.0	4,696.8	3.8
1986	985.0	3,854.0	25.6	13,086.0	7.5
1993	2,594.0	6,877.0	37.7	128,300.0	2.3
2008	728,800.0	56,256,000.0	13.0	10,411,429.0	7.0
2011	5,963,822.0	64,022,625.0	9.2	84,136,000.0	7.1
2012	8,190,200.0	117,500,000.0	7.0	163,872,400.0	5.1
2013	9,620,000.0	138,600,000.0	7.0	184,900,000.0	5.2
2014	11,325,000.0	140,000,000.0	8.1	195,000,000.0	5.8
2015	12,285,000.0	110,000,000.0	12	175,000,000.0	7.0
2016*	10,101,000.0	100,000,000.0	10.1	163,000,000.0	6.2

Source; Prepared by the researcher, Ministry of finance, Annual Reports, 1967, 1977, 1994, 2009, 2011-2015 and 2016* (Estimated Budget) Baghdad, Iraq. ID= Iraqi Dinar, (Each \$=1180 ID in 2008) (Normally 1 ID = 3.3 US\$ before 1993).

In 2008 tax, revenues from various sources totaled more than 0.7 a trillion Iraqi dinar, around \$ 530 million, an increase of 16 percent from the previous year. While in 2013 there is more improvement about 17% from 2012, but taxes still account for just a tiny fraction of government revenue in a state almost entirely reliant on oil. The situation in 2014, 2015 and 2016 became worse according to oil price reduction and to the war with (ISIS).

Taxes include personal and corporate income taxes, excise taxes, and tariffs. Other revenues include social contributions - such as payments for social security and hospital insurance - grants, and net revenues from public enterprises. Normalizing the data, by dividing total revenues by GDP, enables easy comparisons across countries, and provides an average rate at which all income (GDP) has paid to the national level government for the supply of public goods and services.

Audit Organizations

The Board of Supreme Audit (BSA)

The date of its foundation was 1927, when the first Iraqi state audit department was established as a very small department). In 1968, law no. 42 had issued to establish BSA as an independent department of the executive, to give it powers to act on behalf of the legislature, to audit the accounts and review the accounting systems, and to act as a financial controller of the state enterprises. The phrase, "financial controller" as applied to BSA, does not mean that they are engaged in the day-to-day management of the state enterprises. Their role is that of an outside monitoring body examining such matters as the budget.

In 1980, a new law (no. 194) had issued superseding law no. 42. The new law gave the BSA more power and authority to execute its activities and to play a bigger role in the economy. It made the department responsible for financial control in Iraq; therefore, its chairperson has directly linked to the President of the Revolution Command Council. It issues financial and accounting instructions, which have to follow by the accountants in state enterprises, mixed capital companies and all foreign companies. It is the department responsible for the practice and control of the unified accounting system, according to the resolution no. 1260 in 1982. In addition, it has the authority to penalize and prosecute offenders.

In 1990, a new law (no. 6) had issued granting more power to evaluate the performance of state enterprise. The main objectives are:

1. To audit all the state enterprises, mixed and foreign companies.
2. To provide technical assistance to all state enterprises in the fields of accountancy, administration, and organization.
3. To evaluate the performance and efficiency of state enterprises to ensure the correct procedures in using their economic resources.

Now, the BSA has linked to the Parliament and has the same objectives and power. Its annual financial reports have presented to the parliamentary financial committee. The president of BSA has two deputies. Each deputy is responsible for three auditing sectors. Each sector controls a number of ministries and directorates, examples of which are the Finance Ministry and Central Bank.

Each sector is responsible for the external financial assessment of the enterprises in its field and has groups of officials to carry out its duties. If the enterprise administration does not respond to the audit report, the matter has reported to the concerned Minister, and if the Minister fails to respond, the matter has reported to the Prime Minister. The follow up procedure of an audit report is very strict (such as invite the Minister to the Parliament).

The Commission of Integrity (COI)

The Commission of Integrity (COI) is an innovation occupation office and an independent governmental body that is responsible for fighting corruption. It established in Iraq as the Commission on Public Integrity (CPI), pursuant to a statute promulgated by Iraq Governing Council and according to delegation of the dissolved Coalition Provisional Authority (CPA) in order 55 of 2004. In 2005, the Iraqi permanent constitution considered the CPI an independent commission, subject to the Parliament and changed its name to the Commission of Integrity (COI). This change was made through article 102, which states “ High Commission for Human Rights, High Independent Electoral Commission and Commission of Integrity are, hereby considered an independent authority, subjected to the Iraqi Parliament and the law of Iraq “.

The COI has designed to prevent corruption, using legal means in implementing its function as a high authority consistent with section (3) of the law annexed to 2004 order 55 to work, as appropriate, for any investigation purposes. It has divided into two primary areas:

1. Legal- this area has four responsibilities:
 - 1) investigating corruption cases by investigator under a judge;
 - 2) proposing legislations for the purpose of fighting corruption and fostering the culture of integrity, honesty, transparency, accountability and submission to questioning and fair dealing with government;
 - 3) to require Iraqi officials to disclose their financial status; and
 - 4) to promulgate code of conduct for public sector employees.
2. Educational, informative and instructive – This area is responsible for developing curriculums to align ethical values, in coordination with the Ministry of Education and the Ministry of Higher Education; preparing research and studies; training; media campaign and mass communication activities; holding symposiums; educating public sector employees and ordinary people (this includes supporting their demands, through transparency, accountability and investigation).

The Commission consists of six directorates: investigations, Legal affairs, prevention, education and public relations, Non-governmental organizations, and administration. A commissioner chairs the Commission, which is a Minister-level position appointed by the Prime Minister. The commissioner may not removed, unless his removal has approved by the Parliament- a provision that is applicable to cabinet ministers. The Commission has one deputy commissioner, which is a deputy minister position. The COI is acting under article (6) and (36) of UN Convention against Corruption that Iraq has verified, according to law 35 of 2007.

Normally many countries have a three-tier system of raising revenues (ASOSAI report, 2010): (a) federal taxes and non-tax sources, (b) state/provincial taxes and non-tax sources, and (c) local taxes and non-tax sources. In Iraq, revenues have raised through legislatures such as:

- The State General Budget Law.

- The General Accounting Law.
- Taxation Laws.
- Customs Law.
- Companies Law.
- The Distribution of Profits of Public Economic Enterprises Law.
- Other Laws.

Revenue auditing in Iraq is subject to the law of the Board of Supreme Audit (No. 6 in 1990) and other laws like the General Accounting Law and the General State Budget Law. Auditing of government revenues aims to review and evaluate the results of the implementation of revenue policies and plans. Governmental revenues have audited with reference to the revenue laws. However, auditors must keep abreast of the following factors:

- Emergence of new sources of revenue and the decline/ abandonment of old ones.
- Change of different revenue resources in keeping with the economic and political changes.

The audit process has completed in accordance with accountancy standards and principles. Bodies in charge of auditing have authorized to have access to all files concerned with revenues including, review such files, and issue appropriate, related financial statements.

In fact, the financial control of public revenue is very much a concern of the Board of Supreme Audit. Accordingly, procedures of checking, auditing and reviewing have devised to examine the procedures followed by the various administrative units to achieve their aims and suggest appropriate measures to avoid deficiencies that might prevent them from achieving these aims. These procedures have used to identify systematic weaknesses and individual errors. For that reason, its Commissioner has changed for six times within the period 2003-2015.

The General Ministry Inspectors (GMI)

They were established in Iraq on 5 February 2004 through Coalition Provisional Authority (CPA) Order 57. The Inspector General represents a new concept in Iraq, GMIs were placed in each ministry. They assume the functions of audit, inspection, administrative investigation, and performance evaluation.

The two roles below identify clearly the areas where the GMIs should focus on to enable them to play a solid role in improving performance and establishing effective and efficient working environment. Adopting preventive measures and provide ministries with concrete recommendations to improve their programs, policies, and procedures will not only impede corrupt acts, it will also improve the ministries performance and service delivery

1. Inspection is a systematic process that includes inspection and evaluation of performance efficiency. Inspections are performed according to a comprehensive scientific approach that requires the measurement of implementation outcomes and comparing them to inputs, concepts, and standards (legal, administrative, economic, financial, accounting, and technical) for the purpose of evaluating performance efficiency.
2. Audit represents two main elements:

- a) Preventive role that contributes to create an enabling environment that promotes integrity and accountability, it is realized by increasing the level of responsibility and integrity, and preventing waste, fraud, and abuse of power.
- b) Advisory role realized by providing recommendations to the entities being inspected to improve their performance and program delivery.

The report is considered to be the main physical product of the inspection process, hence, it is important to include the required information in a clear and precise manner. The report should identify the weaknesses that needs to be addressed and the strengths that should be further developed and enhanced. This requires ensuring that the report includes the most important findings including all the relevant supporting information, facts, recommendations, and documentations. Inspection reports should also include, among others:

- a. Performance evaluation
- b. Financial Auditing
- c. Administrative Investigation
- d. Inspecting performance in certain activities such as: Environment protection, maintenance, qualification and training, information center, professional safety, production, planning, service delivery, marketing, warehouses, executing contracts and announcing tenders, external and internal procurement, implementing specifications, job placement, protection of security, etc.

The report was timely in light of the challenges facing the Iraqi GMIs on the grounds. The results of this report have been based on an evaluation of the tour activities, feedback received from the IGs through meetings and discussions during and after the tour. All the Iraqi GMIs attended the tour indicated that this experience was unique, it enriched their knowledge, and greatly benefitted from the US experience that was discussed through presentations, dialogues, meetings, and site visits.

The report highlighted that the trip provided them with the opportunity to evaluate the work of their offices and compare them to the operational procedures applied in the US OIGs. It also marked areas of similarities between the tasks of GMIs in the US and Iraq as stated in the relevant laws. (See UNDP report).

METHODOLOGY INSTRUMENTS

Audit Procedures and Methodologies in Revenue Audit

The methodologies and techniques of revenue audit have evolved over time depending on the local circumstances. The methodologies have designed to achieve the objectives provided in the audit mandates:

- The object of receipt audit is to seek evidence that revenue has assessed and collected according to law and errors of omission and commission have avoided. It also seeks assurance that pre and post control systems (described later) operate efficiently and in accordance with the stated objectives in the sovereign and subordinate legislations.

- The collection and accounting system of government revenues have checked in audit to assess whether internal procedures and controls adequately provide for regular accounting of collection and allocation and credit of the collections to the government account.

Despite the variation in the nature and extent of different government revenues, the Board of Supreme Audit in Iraq follows a comprehensive auditing system, which could be summarized as follows:

Compliance Audit

This kind of audit control examines the compliance to laws and instructions to estimate, realize, collect, and deposit the revenues and checks out that revenues are accounted, recorded, obtained, and classified in accordance with accountancy standards and principles. This audit has two facets:

- i) Legitimacy auditing – determines the compliance with law and instructions.
- ii) Financial auditing – determines the compliance with known accounting principles followed in applying, classifying, and summarizing financial procedures to be explained within the financial data.

Performance (Operational) Auditing

This is the most important type of auditing practiced by the Board of Supreme Audit. This includes all financial and non - financial aspects to assure the soundness of statements and the extent of achieving the desired objects of institutions and their laws. Article 3 of the law of the Board of Supreme Audit provides for an annual plan for performance audit. There was a study under way to evaluate the performance of the tax system in Iraq under the annual audit plan of 2011, as well as the previous two years.

In Canada, the scope of performance audit includes the examination of economy, efficiency, cost-effectiveness, and environmental effects of government activities; procedures to measure effectiveness; accountability relationships; protections of public assets; and compliance with authorities. The subject of the audit can be a government entity or activity (business line), a sectoral activity, or a government-wide functional area (OAG, 2005). Similarly, in Iraq, performance auditing consists of many procedures that seek to examine:

- i. The efficiency of the internal control systems and the effectiveness of other systems and the financial procedures and employee understanding of these systems and procedures and their capabilities to achieve the task;
- ii. The efficiency, adequacy, and comprehensiveness of the accounting system in the administrative unit;
- iii. The efficiency of data which are produced by the system to meet the user needs in different administrative levels related to planning, implementation, follow-up, and control; and
- iv. The efficiency of the laws and legislations (i.e. whether the objects and financial policies are clear).

Auditing Methods for Government Revenues

The main duty of Board of Supreme Audit is preparing a report in which it explains its opinion about the results of the audit statements according to the produced facts and data. The Board follows several methods of audit checks according to the nature of its work:

- i. The pre-control - this task has achieved according to the law and a previous agreement of higher authority in Iraq.
- ii. The periodic (immediate) control - the control institutions check the accounts in the same year.
- iii. The post-control - the Board's checking during the post – control process focuses on the two operational stages:
 - a) The estimation stage - this task has done by the technical departments to check and determine tax.
 - b) The implementation, levying, and collection stage – this has done by the department responsible for levying and collection of tax.

Stages of the auditing process and the role of the specialized departments in the tax offices are as follows:

- A. Audit checking of the technical department
 - To realize the efficiency of internal control systems
 - To ascertain how far the tax estimates are accurate
 - To insure that tax estimates are fair and based on a sound footing and on adequate data
 - To ensure the soundness of tax procedures
 - To ensure that procedures are being followed properly
- B. For departments engaged in collection of revenues, the following checks are applied:
 - To ensure that all revenues have collected during the financial period in fact represents all the revenues that are due for collection during the period under the laws.
 - The compare the actual collections with the budget estimate.
 - To analyze the reasons for arrears in collection.
 - To assure that all revenues are deposited in the banks accounts.
 - To ensure that all records (journal, ledgers) have been fixed by law.
 - To ensure that the system for collection of revenues is working efficiently.
 - To ensure that demand notices have issued to the taxpayers.
 - To ensure that proceedings have initiated against tax defaulters.
- C. Questionnaire on Internal Control - This method is used for obtaining accurate information related to the soundness of financial procedures to check the following points:
 - The extent of soundness of the accounting and financial systems and the adequacy of the records used by tax offices
 - The soundness of the internal control systems which help determination of the size of the sample of audit

- To ensure that the procedures related to collection of revenues and other procedures are accurate

RESULTS DISCUSSION

Government revenues increased as global oil prices remained persistently high for much of 2012 - 2014. Iraq's contracts with major oil companies have the potential, to expand oil exports and revenues, but Iraq will need to make significant upgrades to its oil-processing, pipeline, and export infrastructure to enable these deals to reach their economic potential. The task of rebuilding the country after 2003 remains immense and has made harder by sectarian politics and prolonged violence. Iraq's reconstruction requires not only the rebuilding of its infrastructure, but also of its economic and social institutions and the creation of a business environment that attracts capital and brings with it new technology and skills to modernize the economy. Iraq's huge oil reserves could provide the revenues needed to finance the reconstruction, but strong institutions and favorable business environment have needed to use these resources effectively. The longer-term outlook is strong as domestic and foreign investment in the hydrocarbon sector is bearing fruit. According to the Ministry of Oil (2016), oil production reached 4.1 million barrels per day (mbpd), of which 3.8 mbpd have exported, and extraction and exports projected to increase considerably in the years ahead. Nevertheless, Iraq's economic prospects continue to be subject to significant risks, deriving mainly from institutional and capacity constraints, oil prices volatility, delays in the development of oil infrastructure, and an extremely fragile political and security situation.

From 2009, parliament took an unprecedented step and indicted some government ministers through the Integrity Committee and utilizing financial reports. The following years have showed many invitations to Prime Minister and Ministers in Parliament.

The role of the parliament should change to promote and encourage the implementation in the particular type of accountability informed by new public management (for instance the Inspector General of each ministry). Parliament has begun to take important steps in limiting corruption. However, it needs to assume a larger role and increase its power in order to educate politicians and the leading political parties about the merits of the accountability system. It must also give more attention to governmental auditing reports and issue strict instructions to rein in the corruption. Table 3 shows the influence of corruption, indicating numbers of all Approved, Excluded, and Bribery Forms by Commission of Integrity.

Table 3: No. of all Approved, Excluded, and Bribery Forms:

MONTH	Total forms	Excluded forms	Approved forms	Bribery forms	%	TOTAL
February	15674	1491	14183	423	2.98	31771
March	24549	2067	22482	587	2.61	49685
April	27024	1317	25707	822	3.2	54870
May	24696	929	23767	799	3.36	50191
June	24532	1068	23464	835	3.56	49899
July	22207	1040	21167	570	2.69	44984
August	19869	731	19138	552	2.88	40290
September	22445	1089	21356	711	3.33	45601
October	23715	1706	22009	700	3.18	48130
November	23451	1030	22421	602	2.67	47504
December	22664	1133	21531	616	2.86	45944
Total	250826	13601	237225	7217		508869

Source: Annual Report of Commission of integrity, 2012, Baghdad, Iraq.

CONCLUSIONS

Revenue audit was recognize as an important area that requires greater attention and more specialization. In this era of trade globalization and shift to a market economy, every country will be opening avenues of investment. Governments' fiscal policies and laws will in turn tend to change according to the new economic environment. Consequently, audit will have to adapt itself to the changed pattern of government revenues and define its auditing standards according to further studies.

The government should encourage develop countries to invest in Iraq in different sectors and not in oil sector only, by issuing the law of infrastructure, which parliament rejected according to the political conflicts. Therefore, political differences may delay many useful laws in parliament.

The main conclusions that can draw from this study relate to government revenues in Iraq. Government revenues depend totally on oil revenues in spite of increasing tax revenues. It is clear from Table 1 that government revenues in Iraq do not reflect the situation in developing countries. The auditing rules are sufficient for the existing situation, but there will be a need to improve the new kinds of government revenues such as VAT and IT. The researcher recommends that the parliament increase its role in ensuring that most government expenses are legal and far from financial and managerial corruption. Parliament should support new control bodies namely, the Commission of Integrity and the General Ministry Inspectors to oversee the new revenues and expenditures. It should also activate a role related to state taxes and reduce exemptions.

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