



Pathology of the implementation of internal financial control in the municipalities of the province and providing optimal solutions

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ABSTRACT

Objective: The internal audit organization in achieving its goal of establishing a systematic approach to evaluate and improve the effectiveness of governance processes, risk and control will help. **Methodology:** Internal auditors with sufficient independence within the organization to monitor the activities of their operations and compliance with laws, regulations, budget, bylaws and internal controls are evaluated by the organization. **Results:** The results and feedback to the highest level of reporting in order to improve the organization's operations and help improve the quality and accuracy of data reported. The research is descriptive and analytical in which the collected information is used to describe and analyze changing relationships. This study, while two variables (control and internal audit) are also considers the relationship between a controller with other controllers are also studied. In this study, after much review and final approval Supervisor with the questionnaire This questionnaire was prepared by a sufficient number. Finally, all the necessary total of 125 questionnaires were collected. **Conclusion:** This study tries to be the main obstacles identified by the results of questionnaires and statistical methods review, Barriers and implementing internal financial controls which according to existing resources and experts and professors' terms specified in three basic dimensions.

1. Introduction

In large public sector institutions such as government and municipal administrative and regulatory authorities to directly and indirectly elected by citizens. Thus, in societies with political systems are democratic, the people through their representatives their legal powers and responsibilities delegated to them, they are passed on. And based on agency theory and stewardship theory citizens as owners of the resources, the right representatives are seeking answers and accountability. accountability systems are the heart of democratic and municipalities as well as public institutions are not the exception to this and auditing, as well as monitoring tools, security response (Nogueira & Jorge, 2017).

An audit involves triangle audit committees, internal auditors and independent auditors that institutional governance and mechanisms of accountability. Due to this the purpose of this pathology lack of implementation of internal financial controls in the municipalities of the province is providing optimal solutions (Park et al., 2017). For this purpose, experts and specialists were collected by questionnaire. Participants include financial managers (financial issues), the heads of accountants, internal auditors and municipalities as well as the university accounting professors, doctoral students and Master of Accounting were as citizens expert. The results showed that the establishment of internal audit units in play and evaluated financial accountability and operational level are those institutions. The internal audit units to evaluate the efficiency and effectiveness of municipal operations, they must also be effective and efficient, so evaluate the performance of the unit, it is necessary. Some municipalities have established internal audit function and, therefore, the second part of the study was to evaluate the performance of internal auditing municipalities were considered. Given that one of the goals of the US Institute of Internal Auditors International Standards internal audit is the basis for measuring the performance of internal audit, of these standards as a

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basis for evaluating the performance of internal audit units were used (Reginato et al., 2016). In this part of the study, data were collected through interviews with managers and internal audit departments, heads of department and senior auditors were collected.

1.1 Research Problem Statement:

According to the Institute of Internal Auditors, Internal Audit is an independent and impartial reassuring and consulting activity designed to add value and improve an organization's performance and design runs. The internal audit organization in achieving its goal of establishing a systematic approach to evaluate and improve the effectiveness of governance processes, risk and control will help (Vašiček et al., 2011).

Internal auditors with sufficient independence within the organization to monitor the activities of their operations and compliance with laws, regulations, budget, bylaws and internal controls are evaluated by the organization. The results and feedback to the highest level of reporting in order to improve the organization's operations and help improve the quality and accuracy of data reported. On the other hand, external auditors as Judge independent to the accuracy and quality of reports submitted are comments and the citizens of accuracy and quality and completeness of the data reported have reasonable assurance. The Audit Committee is an independent body that will help them perform their duties better (Aikins, 2011).

Non-commercial activities to government activities are known, refers to activities on the basis of social requirements and legal requirements and is done based governance and the costs of national revenues such as taxes and tolls. This type of activity is not carried out according to a term of trade. Non-trade related and other non-commercial activities such as the environment, fundamental differences in structure and properties (Such as representation and distribution of power, authority, relationship between taxpayers and the effects of the services received) and control features of the structure of government (including budget and accounting system independent accounts) And other features (such as massive investment in assets that do not generate income and the nature of the political process), medium commercial activities led to the formation of a special system of financial accounting and reporting for non-commercial activities that it targets compared to accounting purposes and financial reporting of commercial activities is remarkable difference. These differences and characteristics the concept of accountability as Accounting Center in the public sector such as government and municipalities reflected (Babajani & khonaka, 2012).

1.2 Literature:

Babajani & khonaka (2012) in research about "the necessity of forming an audit committee and the establishment of internal audit units in the municipalities of metropolitan areas to promote accountability", to the conclusion that the establishment of internal audit units in municipalities metropolis is very useful and effective.

Hassas Yeganeh & Omidvar (2012) In an article titled "The Role of Internal Audit in increasing transparency reporting company" in the role of internal audit reporting is focused on increasing the transparency of financial statements.

Motmaen (2013) in an article entitled "Ten Steps internal audit strategic guidelines" that the guidelines internal audit reviews, and run it as is required.

Hashemi-Nejad (2013) in an article entitled "Internal Audit muscle of the Audit Committee", came to the conclusion that independent auditors rely on internal audit reports provide more accurate

Robson et al. (2007), in their study titled "Auditing in - challenges and opportunities" review problems and challenges with today's technology audit. Although there are enormous benefits to the widespread use of technology in auditing However, there are security risks and encryption, lack of control over data and concerns about the loss of information and lack of utilization of information technology in auditing knows the most important obstacles to the widespread use.

Steinbart et al. (2012) In its research has come from the computer 19 the university as internal audit and information security functions that they must act as a continuous chain. Reports in professional processes such as that never two applications for homogeneous and in relation to each other not applicable. The aim of this study was to create a research program on understanding the relationship between information security and internal audit function.

1.3 Research questions:

- 1) Damage in the non-implementation of internal financial controls are there?
- 2) what strategies can be applied when the internal financial controls are implemented in the municipalities of the province?

2. Materials and methods

The Achieving the objectives of science and scientific knowledge will not be possible unless the proper methodology. In other words, research in terms of methodology that credibility is not the subject of research.

Due to the fact that the audit takes place on the basis of empirical research and in audit and in this respect the results of this research can be used for users of audit reports is functional description.

The research is descriptive and analytical in which the collected information is used to describe and analyze changing relationships. This study, while two variables (control and internal audit) are also considers the relationship between a controller with other controllers are also studied.

2.1 Variables research

As one of the main research variable quantity in a given domain can choose from an observer to view the different values. A concept that is variable over two or more of the value or number assigned.

In other words, the variable refers to features that can be observed or measured and replace them with two or more worth or value, or the value assigned to variable number represents a change from one state to another.

In another look at the definition of variables, it can be stated that the changes to the feature or trait or factor that is common among the population and can have different values and different values. There are a variety of different variables and are classified on the basis of. Variables into three groups based on the relationship between independent variables and the dependent variables mediating or moderating variables divided. Independent variables play a role in the cause and affect other variables, Common sources of phenomena and recognize the impact of the independent variable and the amount is the main goals. The dependent variable, function independent variable or, in fact, its effect is taken into account. Mediating or moderating variables, variables that are sometimes used as independent variables and interface related changes are.

Because the pathology in this study is the lack of implementation of financial internal controls can be dependent and independent variables are as follows:

- Internal Audit
- Control Settings
- Access Control
- Regulatory control

Here the independent variable, which is the foundation and the work of the internal auditors on the basis of assumptions and variables, internal control (control settings, access control and monitoring control) is intended.

Note that it is necessary that in addition to the above equation, the relationship is also intended One of the important concepts in the field of control and supervision. And within this research will be addressed below mentioned.

1. The damage in the non-implementation of internal financial control
2. solutions that can be used internal financial controls implemented in the municipalities of the province. Although the study was to investigate the relationship of these in principle to no effect but the monitoring of controls that are within the control system of great importance to obtain acceptable results obtained from reports prepared by the controls (Ross, 2016).

2.2 Hypotheses (survey questions)

Any statements that refer to the hypothesis under test, Whether the statement describes a particular facts and suck it a general rule, express or proposition is far more complicated A hypothesis, a conjecture based on knowledge or experience about solving a problem and it can be used as a hypothetical relationship between two variable which is presented as a testable proposition. The hypothesis is thoughtful speculation about the nature and relations between phenomena, objects and variables that researchers in identifying the nearest and the most likely way to explore the unknown helps.

Hypothesis 1) damage in the non-implementation of internal financial controls are there?

Hypothesis 2) what strategies can be applied when the internal financial controls are implemented in the municipalities of the province?

2.3 Statistical Society

The population of the full range of possible sizes or recorded data attributes, the compiler will infer that the units are full of them do that. The practice of collecting data, the drawing of conclusions about the community.

The population in this study, the municipalities of the province in which internal financial control is used on a limited basis. The community consists of a Mayor, Comptroller and Auditor General, financial managers, accountants are municipalities.

2.4 Sample

The sample consists of a limited number of sections of the population which express the main characteristics of society.

To select the sample that is comprehensive and representative of the population is essential for by examining the above-mentioned municipalities in the internal audit profession's employment with the original condition, is being sampled by studying the activities of municipalities in the province have been sampled.

2.5 Sampling

In simple random sampling of each of the elements of society have an equal chance of being selected. In this way the required people or objects from the list of target population for this purpose numbers are randomly selected and prepared. In this way the required people or objects from the list of target population for this purpose numbers are randomly selected and prepared. In the present study, the method of simple random sampling was used to select elements.

2.6 Determine the sample size

Planned topped the study or research, the question is how much the sample size. This is an important question and it should never be considered small. Choose a larger sample than is required to achieve the desired result would be a waste of resources, while sampling very small, most researchers will lead to results that lacks scientific use. Therefore, in this article we will examine how to determine the sample size required.

Approach used in this study; the Cochrane approach is that in this method the following formula is used:

$$\frac{(Za_2)^2 p(1-p)}{\frac{d^2}{(n.N)}} \quad (1)$$

$$n. + (N - 1)$$

2.7 Data collection method

research According to conducted strategy is considered a survey. Research carried out in two stages that in the first stage to develop a literature library method for identifying the structure and theory as well as to review similar research in the field is used.

After identifying the structure and framework to define hypotheses research and in the second stage, using questionnaires, data mining and statistical techniques will be analyzed.

In this study, after much review and final approval Supervisor with the questionnaire This questionnaire was prepared by a sufficient number. Finally, all the necessary total of 125 questionnaires were collected. Based on the sample of 139 questionnaires were distributed in population achieved after repeated follow-up questionnaires returned 125 return rates is 90 percent.

2.8 Questionnaire

questionnaire as one of the most common to collect data in survey research is to a series of targeted questions that utilizes different scale, perspective and insight into a person's response measure.

In this study, to evaluate and analyze the variables related to the research that was discussed at the first stage research and finally measuring the conceptual model, a questionnaire with 24 questions was designed and VPs population was asked to complete the questionnaire carefully.

3. Discussion and results

3.1 Descriptive statistics data

The data analysis is an important first step in data analysis. This analysis can identify the type of data distribution, centralization of data, (mean, mode, median) and dispersion data (variance and Domains) is very useful. In fact, to detect appropriate statistical methods, descriptive information necessary about the data. So, in this part of the required frequency tables and charts (pie) used to calculate the mean and standard deviation indicators are paid. The first question related to general questions, Profile accountability by frequency tables and pie charts are studied.

Table 1. Sex ratio of respondents

Sex	Frequency	Percentage frequency
Men	96	77
Women	29	23
total	125	100

Table 2. Respondents age

Age	Frequency	Percentage frequency
Lower 26	22	18
26-30	26	21
31-35	27	21
36-40	29	23
Higher 40	21	17
Total	125	100

Table 3. Respondents' education

Field of Study	Frequency	Percentage frequency
Accounting and auditing	50	40
Financial Management	19	15
Other management trends	25	20
Other strings	31	25
total	125	100

Table 4. Respondents qualification

degree of education	Frequency	Percentage frequency
Graduate	42	34
Masters	55	44
Associate Degree	14	11
Diploma	14	11
Total	125	100

Table 5. Respondents positions

Organizational position	Frequency	Percentage frequency
Senior vice president and chief financial officer	40	32
Financial Controller	21	17
auditor	11	9
Accountant	53	42
Total	125	100

Table 6. The proportion of respondents work experience

Work experience	Frequency	Percentage frequency
Lower 5 years	44	35
6-10	42	34
11-20	28	22
Higher 20	11	9
total	125	100

The impact of the implementation of internal controls over financial reporting quality independent auditors:

Management reform measures:

In this section, we investigated whether corrective measures in the financial management of the implementation of internal controls affect the quality of the Independent Auditors?

Form: (measures the implementation of internal control of the financial management reform does not affect the quality of independent auditors' report.)

$$H_0 = \mu_1 = \mu_2$$

(Corrective action on the implementation of internal controls, financial management affect quality independent auditors' reports.)

$$H_1 = \mu_i \neq \mu_j (i \neq j)$$

Table 7. Follow-up internal audit units of management reform measures

Factor	The impact of the implementation of internal controls over financial reporting on quality independent auditors
Sig	.018
Result	Rejection

The null hypothesis is rejected and the implementation of internal control of the financial management reform measures in the independent affect quality auditors' reports.

In this section is whether internal audit reports submitted to the Mayor and City Council on the implementation of internal financial controls in the independent auditor's report affect quality?

Suppose (internal audit reports submitted to the Mayor and City Council on the implementation of internal financial controls in the independent auditor's report does not affect.)

$$H_0 = \mu_1 = \mu_2 = \mu_3$$

(Internal audit reports submitted to the Mayor and City Council on the implementation of internal financial controls affect the quality of independent auditors' report.)

$$H_1 = \mu_i \neq \mu_j (i \neq j)$$

Table 8. Surrendered internal audit reports to the Mayor and City Council

Factor	The impact of the implementation of internal controls financial on reporting quality independent auditors
Sig	.004
Result	Rejection

The null hypothesis is rejected, and internal audit reports submitted to the Mayor and City Council on the implementation of internal financial controls affect the quality of the independent auditors' reports.

Control your income and expenses for each period based on the approved budget:

In this section, we investigated whether control of income and expenses for each period based on the budget approved by the independent auditors' reports on the implementation of internal control over financial impact on the quality of there.

Assuming: (control of income and expenses for each period based on the approved budget, the implementation of internal financial controls in the independent auditor's report does not affect.)

$$H_0 = \mu_1 = \mu_2 = \mu_3$$

(Control of income and expenses for each period based on the approved budget, the implementation of internal financial controls affects the quality of the independent auditors' reports.)

$$H_1 = \mu_i \neq \mu_j (i \neq j)$$

Table 9. Control the income and expenses for each period based on the approved budget

factor	The impact of the implementation of financial internal controls over on reporting quality of independent auditors
sig	0.097
Result	Rejection

The null hypothesis is rejected and control of income and expenses for each period based on the approved budget, the implementation of internal financial controls affect the quality of independent auditors' reports.

Internal control documentation costs based on budget lines:

In this section, we investigated whether the internal control documentation costs Row budget based on the implementation of internal control over financial reporting quality independent auditors effective?

Suppose (internal control documentation costs Row budget based on the implementation of internal financial control does not affect the quality of the independent auditors' reports.)

$$H_0 = \mu_1 = \mu_2 = \mu_3$$

(Internal control documentation costs Row budget based on the implementation of internal control over financial impact on the quality of independent auditors' reports.)

$$H_1 = \mu_i \neq \mu_j (i \neq j)$$

Table 10. Internal control documentation costs based on budget row

Factor	The impact of the implementation of internal controls over financial reporting quality independent auditors
sig	.001
Result	Rejection

Internal control documentation costs based on Row budget the implementation of internal control over financial impact on the quality of independent auditors' reports.

Internal control attendance and mission personnel on the basis of sentences:

In this section, we investigated whether the internal control attendance and mission personnel on the basis of rulings on the implementation of internal control over financial reporting quality independent auditors effective?

Suppose (internal control attendance and mission personnel on the basis of rulings on the implementation of internal financial control does not affect the quality of the independent auditors' report)

$$H_0 = \mu_1 = \mu_2 = \mu_3$$

Suppose (internal control attendance and mission personnel on the basis of rulings on the implementation of internal financial controls affect the quality of the independent auditors' reports.)

$$H_1 = \mu_i \neq \mu_j (i \neq j)$$

(Internal control attendance and mission personnel on the basis of rulings on the implementation of internal financial controls effect on the quality of the independent auditors' reports.)

Table 11. Internal control attendance and mission personnel on the basis of rulings

Factor	The impact of the implementation of internal controls over financial reporting quality independent auditors
Sig	.048
Result	Rejection

(Internal control attendance and mission personnel on the basis of rulings on the implementation of internal financial controls affect the quality of the independent auditors' reports.)

Internal control provisions of the personnel with salaries paid to personnel: In this section, we investigated whether the internal control provisions of the personnel with salaries paid in the quality of independent auditors' reports on the implementation of internal control of the financial impact?

Suppose (internal control provisions of the salaries paid to personnel staffing the implementation of internal financial controls in the independent auditor's report does not affect.)

$$H_0 = \mu_1 = \mu_2 = \mu_3$$

Suppose (internal control provisions of the salaries paid to personnel staffing the implementation of internal financial controls affect the quality of the independent auditors' reports.)

$$H_1 = \mu_i \neq \mu_j (i \neq j)$$

Table 12. Internal control provisions of the salaries paid to staff recruitment

Factor	The impact of the implementation of internal controls over financial reporting quality independent auditors
sig	.005
Result	Rejection

(Internal control provisions of the salaries paid to personnel staffing the implementation of internal financial controls affect the quality of the independent auditors' reports.)

4. Conclusion

According to the study the following questions:

- 1) Damage in the non-implementation of internal financial controls are there?
- 2) What strategies can be applied when the internal financial controls are implemented in the municipalities of the province?

This study tries to be the main obstacles identified by the results of questionnaires and statistical methods review, Barriers and implementing internal financial controls which according to existing resources and experts and professors terms specified in three basic dimensions that in case of secondary research are also reviewed and analyzed according to the statistical methods so that they can compare the two to two and prioritized.

4.1 Research assumptions include:

- Identify existing damage in the non-implementation of internal financial control
- Suggest ways to implement internal financial controls in the municipalities of the province
- The effect of the implementation of internal financial controls in the municipalities of the province

Given that the hypotheses were confirmed to be the basic premise that question is answered.

4.2 Major hypotheses:

- 1) Damage in the non-implementation of internal financial controls are there?
- 2) what strategies can be applied when the internal financial controls are implemented in the municipalities of the province?

The research proposal:

Applied research offers:

- 1) Due to the above mentioned governorates have financial problems, lack of implementation of internal controls by holding training courses and seminars related to the implementation of internal control over financial solve and finance and accounting managers raised awareness and the implementation of internal financial control is firmly step.
- 2) Raise awareness of senior managers and municipal financial management and introduce them to the advantages and benefits of internal financial control can be increased interest and desire necessary to municipal leaders

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