

Analysis of the Role of Internal Control in Performing the Responsibility of Managers of Public Sector

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Abstract

Accounting information system is necessary for the success of governmental agencies in long terms. The quality of Governmental agencies cannot be evaluated without suitable supervision tools. All Governmental agencies should evaluate the impact of various incidents of controlled resources. Accounting information system plays important role in Governmental agencies in acceptance and survival of a strategic situation. Accounting information system needs suitable and effective internal control system to perform properly and to be away from risks. One of the main responsibilities of managers is to analyze the effectiveness of internal control. Managers should be responsible for their performance and clarify information and enforce financial discipline and fight against economic and financial corruption which is necessary for the effective internal control in Governmental agencies and organizations that the establishment of strong and effective internal controls leads to transparency of financial reporting and promotion of financial and operational capacity. Since the government is considered as the public sector, the impacts of strong internal control in this sector and its impact on the amount of responsibility of managers' accountability gets special importance. In this article, besides describing internal control, we try to discuss its relationship with the responsibility of managers' accountability.

Keywords: internal control, public sector, accountability, transparency of financial reporting.

Introduction

Financial reporting is in fact at the center

of state managers' accountability that managers through clear and effective financial reporting will be able to answer to supervisory agencies about the method of providing services and consuming resources, using and maintenance. The objectives of accountability and financial reporting of public sector based on a fundamental concept titled "accountability responsibility" is formulated and developed which is an integral part of all accounting and financial reporting purposes, because the main core of state accounting is influenced by internal control structure (Babajani, 2002). Thus, internal control is a comprehensive and inclusive process that is performed by managers and employees of organizations and is programmed for identifying the probability of dangers and provide reasonable assurance that; in performing organization's missions, the public purposes of operations (regular performance of operation, based on ethics and with due regard for economy and efficiency) is realized and responsibility for accountability is performed by observing necessary binding rules and regulations and resources are preserved against damages and abuse (Sabeti, 2009). Nowadays the existence of an internal control system in organizations, governmental agencies is well felt because if internal control system is properly designed and performed, it leads to accuracy and efficiency of accounting information systems and may prevent the property from being squandered. So, state policy makers and planning managers are continuously searching for a way to achieve better results in programs of executive agencies. In other words, they try to find ways to improve accountability. A key factor in helping to achieve such a goal and also minimizing problems and operationalizing these strategies is the proper implementation of internal control. So, it

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can be stated that the purpose of implementing internal control in the public sector of organizations helps managers of agencies and organizations to increase the efficiency and effectiveness of operations and also enhance the quality of financial reporting and improving their accountability (Mohammadi, 2012).

Nowadays, managers always try to embed the best internal controls within their organization that in case of the lack of an effective internal control system realization of the main mission of organization and minimizing the unexpected incidents will be so difficult (Mohammadi, 2008). Internal control is not an incident but is formed from a series of operations and activities based on outputs. The internal control should be identified as a necessary component of each system that the manager applies for adjustment and guidance, not as a separate system within an operational system (COSO, 1992). By this concept, the internal control is the management control that is created within a unit as a part of management control infrastructure to help the managers in performing the work of a unit and achieving its objectives on a continuous basis, thus, a key factor in obtaining the objective and minimizing problems is proper implementation of internal control. Internal control is an inseparable part in administrating the organizations' affairs that leads to providing reasonable assurance in achieving the organization's objectives (Karbasi, 2005). Internal controls is an important part of organizations' administration that includes applicable designs, methods to achieve duties, objectives and, in other words, supporting the manager based on performance and also as the first defensive line in protecting properties, preventing mistakes and fraud.

Accountability in public sector

Public accountability is the prerequisite for implementation of the process of democracy and is the complementary public administration. This concept represents public accountability as a picture of trustworthiness, fairness, responsibility, transparency, effort to improve the ethical competency of state managers and protects promotion of those managers against criticisms and illustrates aspects of democracy. Aspects of accountability of state managers include organizational, political, administrative, and professional accountability and political accountability adds to the complexity of public

accountability compared to the private sector. State managers should be accountable at five strategic levels, program (effectiveness), function (effectiveness and financial saving), process (planning, allocating and administrating affairs) and necessity and legibility (preserving regulations). Attempt to increase the level of accountability in the society by increasing the publically available and consequently increasing the level of people's response seeking increase the expectation to improve the services of public sector and the pressure derived from it leads to the reformation of public sector (Kurdistani, 2007).

Accountability is a series of social relations based on which one feel committed to justify their behavior (their relationships) with others. In other words, the person has to explain and justify their relations with others. In this definition of accountability, there are two accountable and accounted sides and their relationships is composed of: accountable should feel committed to inform accountants of his relationship with others by providing different information (David, 2005). From sociological point of view, state managers should be accountable in different fields. It means that, they are seen by others and many eyes observe them. The problem is that, state managers are faced at least with five types of accountable who should be responsible based on different norms and expectations. The five dimensions of state managers' accountability are as follows:

A) Organizational accountability: the most important aspect of state managers' accountability is Organizational accountability. Senior managers of organizations are sometimes questioned by their supervisors and should answer about their duties.

B) Political responsibility: managers (administrators) should be present in the meeting and answer all representatives of people.

C) Legal accountability: state managers can be called to response about their activities to Courts and law suits. Legal accountability is the most obvious accountability because legal proceedings are carried out in accordance with the standards and the law.

D) Official accountability: state managers should be accountable about their official, financial, operational issues which is conducted based on special criterion of each organization.

E) Professional accountability: some state managers are professional and experts and should

preserve standards. They may be questioned by professional societies about observing professional standards and should preserve standards and be accountable.

State managers accountability includes the following levels:

1. Strategic accountability: state managers should be accountable about the policies they chose.
2. Plan accountability: state managers should be accountable about the performing plans and the level of attaining programs (efficiency).
3. Performance accountability: state managers should be accountable about the way of implementing plans (efficiency and financial saving).
4. Process accountability: state managers should be accountable about work processes, implementation methods and measurement criteria for the determined duties (planning, allocation and administration of affairs).
5. Accountability of necessity and eligibility: state managers should be accountable about expending funds in accordance with the approved budget or approved figures.

Accountability of state managers and public trust to their behaviors are at the two heads of a range. When accountability and clarification increase in government activities consequently public trust to state managers' behavior increases and these two concepts are balanced. Imagine there is no accountability and transparency in government activity, in the case public trust is reduced. Therefore, governments need public trust for their survival and public confidence is enhanced by increasing accountability and transparency. So, part of the required information (financial and non-financial information) is the product of an accounting information system; It is, therefore, a desirable government accounting system to have proper internal controls based on which complete, reliable and timely information about public sector activities can be released, increasing the possibility of public observation on presenting government services and consequently, this flow of information is the motive for dynamicity to create more responsibility, improvement of performance of governmental sector and finally increase in the responsibility to public (Kurdistani, 2007).

Accountability and internal control

Accountability is a process through which state organizations and their activities including stew-

ardship in public funds, honesty and all aspects of performance are accountable and responsible. Accountability is realized as a tool for providing financial and nonfinancial information which is reliable and disposed desirably in form of in-time reports for all users. Of course, providing reliable information depends on strong internal controls in the public sector and the impact of internal control on the public sector shows to what extent managers are responsible about the properties under their control. Because these properties are purchased by public funds and manager should respond to competent authorities in case of squandering it (Babajani, 2002). Since one of the purposes of internal control is preserving the properties. In financial accounting of organizations of the public sector, the internal control becomes specifically important. Even the topic of public accountability to supervise the resources and preventing the splurge of properties are the main objectives of internal control which has been cleared by auditing standards of formal US. Auditors and state auditors in launching an internal control system guaranties the proper implementation of affairs in all areas and facilitates the responsibility of accounting and auditing about the actions (Husseini Iraqi, 2005).

Definition of internal controls

Internal control is a fundamental and dynamic process that continuously conforms to the changes that their organization are faced with (Ogneva et al., 2007). Manager and employees at all levels are required to be associated with this process to identify the risks and make reasonable assurance of achieving the organization's mission and goals. Then, the internal controls are a series of actions that managers conduct to relatively assure of proper implementation of affairs and its conformity with regulations and policies adopted to raise the functionality and profitability of the operation and achieve the objectives already set (Mohammadi, 2008). In other words, internal control includes organization plan and all coordinated procedures in an organization that is prescribed to maintain assets, investigating the accuracy and reliability of accounting data, promoting the efficiency of operations and encourage adherence to prescribed management practices (Ghorbani, 2007).

Internal control is not a specific incident or situation but it is a set of consecutive and pervasive actions that penetrates to all activities of organization.

These actions continuously take place in the operational zone of an organization. They exist in a direction that manager conducts the organization in a pervasive and integrated manner (Shoara, 2007).

Internal control should be inner and principle not external and detached. By internalizing it, the internal control turn into the main inseparable factor from the main process of management in planning, implementation and supervision affairs. Thus, the internal control is a management tool and is directly associated with the organization objectives. Although management is the main element of internal control, all employees of organization play important roles in implementing and creating it. Employees are people who implement internal control, thus the internal control system is effective in the social sector when the moral behavior and technical competencies of employees are attended to. Therefore, access to proper internal control requires committed and honest employees who have strong moral values (Mohammadi, 2012).

Internal control leads to the improvement of organization performance and even the improvement of financial reporting. Researches show that when organizations concentrate on internal control, they obtain better results and cause lower costs of internal control in organizations, because the internal controls creates a self-control in members of organizations (Cox, C., 2002).

In 1985, the workgroup of the organizations supporting the Terdoy commission with the help and contribution of the most famous professional circles of the American Accounting including the American Association of Certified Accountants, American Accounting Association, the Association of domestic Auditors, Management Accountants Association, Financial Managers Association was established and started and together with a team of advisors, extensive research work began on the definitions and concepts of internal control. The result of Task Force a report that was after several stages called "domestic Control - Integrated Framework" published in 1992. According to this valid report which is known as COSO3, the internal control is defined as: " the internal control is a process which is established to rationally ascertain of realizing objectives categorized in the following three categories by managers and other employees:

- Efficiency and effectiveness of operations (including operation objective)
- Reliability of financial reports (including financial reporting objectives)

- Observing laws and regulations (including compliance objectives)

The first group refers to main objectives including objectives related to performance and profitability and also protection of properties. The second group is related to the provision of reliable financial lists and other financial items extracted from these relevant lists which is published for the public. The third group deals with observing the relevant rules and regulations (Ghorbani, 2007).

Realization of the above objectives requires the 5 elements forming the structure of internal control including Control environment, Measurement of danger, Control activities, Information and communication, finally Supervision and test

These 5 elements defines a general framework and the minimum acceptable level of quality for internal control in the public sector and provides a basis for the assessment of internal control and leads to accountability of managers to the expansion of minor policies, procedures, and operations that are appropriate to the activities of an organization (Karbasi Yazdi, 2005). These five components of internal control are related to each other and each component can influence others, thus all organizations need all components of internal control for controlling their activities.

Control environment

The control environment is the basis for a complete internal control system. This environment creates discipline and structure which influence the quality of internal control. The control environment highly influences the establishment of the strategies, objectives and structure of control activities (COSO, 1992).

The control environment by influencing the control perception of employees forms the general atmosphere of the organization and by providing organizational discipline and structure is the foundation of other components of internal control. One of the elements of control environment is the individual and professional honesty and ethical values of managers and employees.

Organizations of public sector should show honesty and ethical values in practice. They should publically demonstrate these values in implementing principle duties and values. Also, their operations should be effective, ethical, appropriate and economic. They should operate in concert with their responsibilities and objectives. The principle

of honesty and righteousness and moral values determines the judgmental preferences and values that are stated in form of moral standards (individual and professional) management and employees (Abbas Zadeh, 2011).

Risk Assessment: Risk Assessment means identification and analysis of risks about accessing the objectives of organization and specifying the reactions appropriate for the management and harness of risks and evaluation of risks which includes the following:

- Identifying risks
- Evaluating risks
- Evaluating the level of risk taking in organization
- Reaction to dangers (COSO, 1992)

Control activities: Control activities are policies and procedures that are appointed to deal with risks and to achieve organizational goals. Control activities should be effective in implementing the control objectives of the system. In order to influence, the control activities should be appropriate (i.e. proper control in an appropriate place and commensurate with the associated risk, should always be implemented according to plans and are associated with control objectives in an economical, comprehensive, reasonable and direct way.

Control activities took place all over the organization, at all levels and all operations. These activities include a range of preventive and detective control activities like the following various activities:

- Licensing and approval procedures
- Separation of duties (licensing, execution, registration and control)
 - Access Controls to documents
 - Investigation
 - Resolving conflicts and reconciliation
 - Investigating methods of performance
 - Surveying operations, processes and activities
 - supervision (assess, review, approval, guidance and training)

Organizations of public sector should strike a right balance between preventive and detective control activities, thus, corrective measures as an essential part of control activities is to achieve organizational goals (Shoara, 2007).

Information and communication: Information and communication are necessary for the realization of all objectives of internal control. The precondition of reliable and related information is the instant and proper classification of transactions and events. Related information should be identified and gathered and be transacted in a specified

framework of time and form that enables employees to do their duties of internal control and other duties (timely transaction and transference of information to the individuals concerned). Information systems produce reports including operational, financial, nonfinancial reports associated with preserving laws that leads to providing the possibility of implementation and control of operation. They not only pay attention to internal information but also to the information about incidents, activities and external conditions to obtain the ability of decision making and reporting. The ability to make proper decision by manager is influenced by the information quality and thus it is necessary that information to be appropriate, timely, current (current) true and achievable. (Abbas Zadeh, 2011).

Information and communication is necessary for the realization of all objectives of internal control. For example, one of the objectives of internal control in the public sector is fulfillment of obligations and requirements of public accountability that by preparing and maintaining reliable and financial and nonfinancial information and distributing them through appropriate and timely reports, these objectives can be achieved (Sabeti, 2009).

Monitoring: Monitoring the internal control system means to make sure of the implementation of controls as they were expected. Thus, internal control systems are observed to evaluate the performance quality in certain periods. This monitoring is done through daily activities (continuous observation) or separate evaluation or a combination of both. Progress in observation of internal control and reporting leads to amendment of the quality of financial reports (Altamuro & Beatty, 2010). Therefore, through observation one should make sure of the accounting findings and relevant suggestions are appropriate and are immediately met, so in this regard management should be:

1. Immediately they assess the accountants' and other investigators' findings including deficits and reported recommendations.
2. Correct activities, reaction to findings and recommendations of auditors and investigators are determined.
3. All important activities and subjects that are mentioned in management Letter are corrected or should be completed them within a specific time (Karbassi Yazdi, 2005).

The main objectives of internal control

The establishment of internal controls in the

public sector can follow the following four objectives:

1. Reliability of financial reporting of governmental systems and agencies.
2. To reasonably ensure of correct implementation of systems' and organizations' transactions.
3. To reasonably assure of all receipts and payments of systems and organizations just based on permits and regulations.
4. To reasonably assure about the timely prevention and detection and illegal establishment of properties and assets of systems and organizations.
5. Increase in the accountability of managers (Doyle et al., 2007).

Advantages of appropriate internal control system

- Increasing the efficiency and effectiveness of operation
- To help ensure the quality of financial reporting in order to increase the reliability of data.
- To help ensure the application of policies and, laws and regulations, as well as the expected procedures and policies.
- To help the management risks and controlling it and removing barriers.
- Creating effective management in preventing fraud and misuse of assets
- Reducing mistakes like weak judgments in making decisions, individual mistakes and employees' collusion (Hochberg et al., 2009)

Proper planning and establishment of internal control sites in governmental systems is considered as one of the main factors of efficiency and effectiveness of operation, accountability promotion and financial clarity and observing rules and regulations and helping financial prevention and misuse. In 1949, American Association of Public Accountants defined the internal control as an organized program and all harmonized actions and methods to maintain properties and investigating the accuracy and reliability of accounting data and promoting the efficiency of operation and observing the management policy, thus, it is necessary for managers of government agencies to pay special attention to this issue and always pay attention to the following points:

1. Governmental agencies increasingly require internal control guidelines.
2. Adequate internal control system protects public funds and provides the best care of assets of governmental agencies.

3. Managers of governmental agencies should investigate the efficiency of internal control system. These investigations should include all controls like, operational, financial, applied control and even risk management.

4. Governmental agencies should apply internal accounting for specified time period continuously.

5. Internal control guidelines are applied by annual report and different evaluation.

Significance of internal control and risk management

Internal control system of governmental agencies plays key role in risk management that is important in achieving supreme goals. The internal control system guarantees security and maintenance of property and assets of governmental agencies and also leads to the increase in reliability of information in reporting within and outside of organization and provides services in preventing fraud and maintains the properties of governmental agencies. On the other hand, good internal control system analyze and evaluates risks that governmental agencies are faced with to help risk management and controlling it and takes action to overcome properties (Shoara, 2007). Managers are responsible to prevent and detect fraud and mistake in the public sector. Managers do this responsibility by establishing internal control and continuous application of proper accounting system (Lin et al., 2011). Since operations of organizations' public sector are different from each other, establishment of the same internal control for all organization and agencies of public sector is not possible. Establishment of specific control in each system depends on factors such as measure, operation type and organizational objectives that system is designed for (Mohammadi, 2008). On the other hand, rapid development of information technology leads to the need for updating internal control guidance regarding computer modern sites, thus, managers of governmental agencies are mainly responsible for internal control system and should be responsible for it and apply their skill to proper system. In this regard, they should explain proper system in implementing internal control system and make sure of providing a system to confirm efficient operation. Managers should be efficient in internal control system in risk management and under any condition.

Managers by considering the importance of the following factors adjust the internal control:

1. The nature of risk in governmental agencies and its external condition.
2. Width and categorization of risk at a level which is acceptable for the system (risk permitted limit).
3. The possibility of proposed risk
4. The system capacity in reducing the proposed risk
5. Costs of special controls operation that should be lower than benefits of practicing it.

As it was mentioned, one of the main responsibilities of managers is to analyze the efficiency of internal control. Efficiency is the vital component of proper internal control system. Managers should continuously receive and analyze reports of internal control. Besides, they should take the responsibility of the goal that the internal control system is properly implemented in the system and disclosed in financial reports and in relation with control and risk the following analyses are conducted:

1. Pay attention what important risks there are and evaluate how to identify and manage them.
2. Evaluation of efficiency of the internal control system in relation with risk management and reports of weakened controls
3. Paying attention to necessary actions whose deficit should be compensated and corrected.

Review of the related literature

In recent years several researches are done about establishing proper internal control in the public sector of United States, some of which are referred to below:

Integrated financial rule of federal managers (FMFIA) 13-1982- requires that the public accounting that issues standards for internal control in the government. These standards provides the overall framework in creation and maintenance of internal control, identification of management performance and its challenges, identification of wide risk areas, recognition of fraud, recognizing misuse and mismanagement (Karbassi Yazdi, 2005).

Guides of internal control standards in 1992 of international organizations of supreme organs of INTOSAI accounting states that standards should be established about design, implementation and evaluation of internal control. Following that, in 2001, the International Organization for institutions of higher accounting decided to reconsider guides of internal control standards in 1992 to

include all recent changes in internal control and concepts of reports of support organization committee of Treadway report named internal control inserts integrated framework within the above guide, besides attending to the framework of integrated internal control and 1992 guides, attention to moral views were also considered because the importance of moral behavior like prevention of fraud and collusion in the governmental sector has attracted much attention since 1990. The society expects that government employees maintain the public interest honestly and manage the public resources appropriately, they behave with citizens fairly and based on rules and justice (customer reverence), thus, good behavior of government employees is the prerequisite and constructs the public trust and the corner-stone of good governance (COSO, 1992).

Ogneva et al. research shows that weaknesses in internal controls reduce the quality of financial reporting of organizations (Ogneva et al., 2007).

Ashbaugh et al. research show that existence and necessity of internal controls according to COSO law and SOX law leads to increase of the quality of financial reporting (Ashbaugh et al., 2008).

Also, the results of Hashberg's et al research showed that the existence of internal control cause that financial reporting is understandable, exact, true and correct which is vital for investigator and users and attract their trust regarding the given reports (Hochberg et al., 2007).

The result of American Institute Of Certified Public Accountants (AICPA) about the reasons for Fraudulent financial reporting was the weakness in internal control which can be concluded that if internal control is not weak in the public sector and is embedded strongly leads to giving reliable financial reports (Petrovist et al., 2011).

The 4.4 section of Sarbanes-Oxley Act of 2002 (SOA) about internal control necessitates that internal control report should be provided annually by the manager and include manager evaluation of the effectiveness of internal control structure and financial reporting procedures. Also accountants should comment about the managers' evaluation of internal control dominating the financial reporting (Hochberg et al., 2009).

In 1974, American Institute of Certified Public Accountants (AICPA) formed a commission that was latter known as Cohen commission to research about accountants' responsibilities. One of the main advices of Cohen commission was that man-

agers in addition to financial lists represent a report about the condition of internal control and accountants also analyze them (Ashbaugh et al., 2007).

Altamuro and Betty's research show that the recent financial crisis highlights the society's financial need to an internal control rule in the public sector which benefits a strong support (Altamuro & Beatty, 2010. (

The results of research by Line et al. about the impact of employees' on internal control showed that honest and qualified employees help the manager in practicing strong financial control and leads to lowering problems in practicing internal control within the organization (Lin et al., 2011).

Babajani in an article (2002) named "responsibility of accountability and internal control in the public sector" states those noncommercial activities known as nonprofit activities which are considered as the main activities of the government and large organizations of the public sector, despite the overall similarity in form, have considerable differences in the objective content and the internal control components.

He continued that objectives and structure of internal control in the large institute of public sector is influenced by features about the nonprofit action and with the concept titled "the responsibility of public accountability". Objectives and structure of internal control of large institutes of public sector and specially the government interacts with the concept of accountability responsibility and complete each other. By increase in the responsibility of national and operational accountability, the control concepts and objectives and components of internal control is balanced according to it. Some of the components of internal control such as information, communication and the control method in the nonprofit activities of the government and large institutes of public sector have significant differences with commercial activities and in some components such as control environment and risk evaluation and observation of these differences does not seem meaningful. At the present, despite predicting the basis of responsibility accountability in the Constitution of the Islamic Republic of Iran, normal rules and regulation are not appropriately explained and appropriate conditions for real accountability of elected and responsible officials are not provided. So the control system dominating the government and large organization's activities also emphasized on traditional control methods and do not provide the necessary conditions for realization

of operational and financial accountability responsibility. In order to exit out of this inappropriate condition the following cases are mentioned:

a. Reviewing the normal rules and regulations dominating the financial and operational supervision based on comparative study and using the useful experience of developed countries and considering specific features of Iran.

b. Passing appropriate laws and regulations and forcing authorities of executive agencies to respond financially and operationally and distribute the reports about financial and operational accountability to access publically to provide citizen's rights.

c. Design and explanation and implementation of accounting system and financial reporting and appropriate control and exercising supervision to clarify the responsibility of financial and operational accountability.

d. Designing new methods of control and supervision by emphasis on the system and control shift from data to output and obtaining results and reduction of unnecessary controls (Babajani, 2002).

Hassas Yeganeh (2007) in the article titled "the necessity of reviewing the internal control and auditing of banking system" mentions that the recent transformation of the banking system that in its deep meaning implies globalization, have increased the need to cautious supervision in order to maintain the stability and assurance in the financial system and this issue by occurrence of financial crisis has got much attention. With regard to getting near the time of privatization of government banks, it is necessary to review the framework of internal control system and their internal accounting function is reviewed and all requirements set by the Basel Committee in Banking Supervision should be taken into account. Stipulated in section "c" of the general policies of Article 44 of the Constitution regarding "preparation of internal firms before transferring to deal intelligently with the rules of international trade in a gradual and targeted process". The importance of reviewing in the framework of internal controls and the function of internal accounting unit of state banks subject to assignment is doubled. Thus, the internal control system of banks should be founded on a category of essential elements which is necessary to make sure of preserving rules and regulations to achieve long-term profitability, to provide reliable financial and management reports and to reduce risk of unpredicted losses or to tarnish the reputation of the bank. In

addition, in order to make sure of the result of internal accountant work, the effective cooperation and coordination between supervisors, internal accountant, independent accountant is defined in form of certain principles.

Zareie and Abdi's research (2010) titled "internal controls and its problems in the government sector" stated that; based on the limitation theory, each organization is faced with limitations and barriers in order to reach its main goals. The executive agencies are faced with limitations and barriers to achieve the economic, social and scientific macro-goals on the macro and micro level in desirable implementation of internal control system. Undoubtedly, the identification and removing barriers and limitations dominated the internal control system in the executive systems can help the government to reach its goals which is to promote the welfare and prosperity of the country and accountability before the citizens. Results of research findings show that efficient and applied training for financial employees, rules about internal control, expert and efficient human forces are three necessary conditions for implementation of desirable internal control (Zareie, 2010).

Conclusion

Financial reports are the final product of accounting process which is influenced by internal control is in the theoretical framework based on decision making. The purpose of financial reporting is to provide useful financial information for making financial, political and social decision making and doing accountability duties and organizational performance and management assessment. Accounting experts of the public sector believe that financial reporting and accounting as the accountability responsibility tool can play important role among elected responsible authorities and those in charge that the fulfillment of this accountability will not be possible without effective internal control. The main purpose of the financial reporting process is to prepare information on financial activities and events for all users to make a financial decision. The state financial reporting is actually at the center of the administrators' accountability to surveillance agencies and this way the surveillance agencies will be able to be informed of how to provide services, to consume resources, to use and keep properties and assets of state agencies and to evaluate authorities' performance. Therefore, de-

sirable planning and implementation of internal control in the public sector to make relatively sure of achieving predicted goals, proper implementation of activities in all fields, preventing any embezzlement, fraud and misuse of resources, properties and realization of accountability responsibility and accountability to the activities carried out by managers of government agencies is necessary.

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