

لَهُ الْحُكْمُ

أَلَا لَهُ الْحُكْمُ وَهُوَ أَسْرَعُ الْحَاسِبِينَ.

*surely, the judgment is for him, he
is the swiftest of reckoners*

Tehran Offices:

Head Office:

No.7, Shahid Ahmadian St., Shahid Ahmad Ghasir Ave.

Tehran, Iran.

P.O.Box : 15138-36511

Tel: (+98) 21 82182100 Fax: (+98) 21 88722435

Beihaghi Building:

No. 12, Beihaghi Blvd., Argentine Sq.,

Tehran, Iran.

P.O.Box : 15147-46417

Tel: (+98) 21 88502601 Fax: (+98) 21 88502622

Shahed Building:

No. 46, Third St., Chehel- Soton St.,

Tehran, Iran.

P.O.Box: 14316-64141

Tel: (+98) 21 88968392-4 Fax: (+98) 2188968396

Arash Building:

No. 2, Iraj St., Afriqa Blvd.,

Tehran, Iran.

P.O.Box: 19177-54193

Tel: (+98) 21 22012139-40 Fax: (+98) 21 22012141

Website: www.audit.org.ir

Table of Contents

	<u>Page No.</u>
Background	1
Objectives	1
Main Functions	1 - 3
Organizational Structure	3
Main Constituents and Their Functions	4 - 6
Staff and Service Departments	6 - 7
Operational Departments	7 - 8
Workforce	9
Summary of Activities Fulfilled During 1391 (3/21/2012- 3/20/2013)	10 - 12
Setting Accounting and Auditing Standards	12 - 15
Training	15 - 17
Research, Publications, and Other Scientific Activities	17 - 20
Policies and Procedures	20
Audit Organization's Function Regarding Safety Development of Administrative System	21
Ways to Achieve Financial Statements Transparency and Develop Entities' Internal Control Systems	21 - 22
Audit Organization's Role in Responding to complaints	22
Covenants	22
Appendix 1: List of Accounting Standards	23
Appendix 2: List of Auditing Standards and Other Assurance and Related Services	24 - 25
Appendix 3: List of Public Sector Accounting Standards	26
Appendix 4: Provincial Offices	27



Audit Organization

- Background

In 1983 Iranian parliament ratified an act which emphasized on establishment of Audit Organization. Consequently, the organization's article of association was passed by the parliament in 1987, and accordingly it started to operate as a legal entity with financial independence. The objectives and main functions of the organization are as follow:

- Objectives

The organization's objectives are:

- Providing basic auditing needs of the government and presenting special financial services to state-owned and supervised entities.
- Setting and expansion of accounting and auditing principles and standards, as well as providing ethical rules in compliance with the Islamic rules.
- Conducting research on scientific and practical matters in order to enhance technical knowledge according to the needs of the country.

- Main Functions

The Audit Organization is responsible for:

1. Auditing and Statutory Examination

- a.** Audit of all state institutions which according to Principles 44 and 45 of Iranian Constitution are public companies, such as; government companies, insurance companies and companies owned by the Islamic Revolution's Bodies.
- b.** Audit and statutory examination of those corporations which more than 50 percent of their capitals, either directly or indirectly, belong to the institutions mentioned in (a).
- c.** Audit of capital projects (national development plans) and other fixed assets construction projects (such as buy back contracts) of the entities mentioned in (a) and (b).



- d. Operational audit of companies or capital projects of fixed assets which poses adequate materiality, sensitivity, and high volume of activities, proposed by the minister of *Economic Affairs and Finance*, and approved by the Annual Meeting of *Audit Organization's Board*.
- e. Audit of those cases returned to the *Organization* by the minister of *Economic Affairs and Finance*.

2. Financial Consultancy Services

- a. Offering financial consultancy and management services to ministries, state owned corporations, and other entities mentioned in 1(a) and (b).
- b. Offering financial consultancy and services, design and implementation of financial systems, and management services to other institutions.

3. Setting Accounting and Auditing Standards

- a. *The Organization* is responsible for setting and publishing accounting and auditing standards with regards to the following subjects:
 - Accounting Standards;
 - Auditing Standards;
 - Code of Professional Ethics; and
 - Guidelines to the above issues.
- b. *The Organization* is also responsible for setting Code of Professional Ethics and Conducts in line with the Islamic rules, to be professionally observed by its personnel.

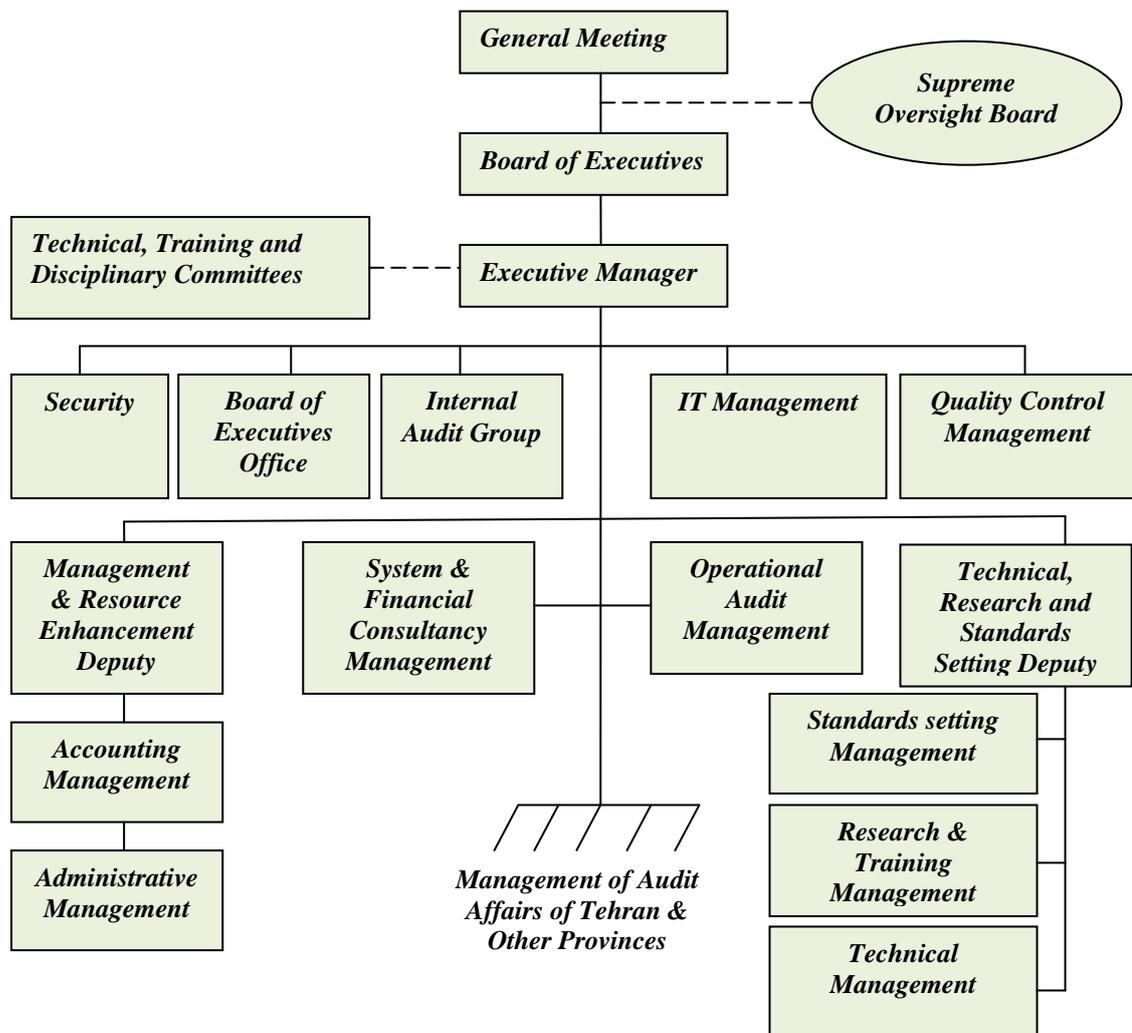
4. Training, Research, and Publications

- a. Conducting required research and related studies in order to acquire the latest information in accounting, auditing, and other related fields.
- b. Publication and proliferation of the results of the conducted studies with aim to continuously increase the level of professional accounting and auditing knowledge in the country.
- c. Cooperating with governmental organizations, universities, educational institutions, and other relevant bodies in fostering auditing and accounting workforce.

- d. Training responsible personnel through continuous professional development programs.

- Organizational Structure

Although *Audit Organization* was established as a state-owned company, there has been an effort to make its structure as much as possible similar to that of an international audit firm. *Audit Organization* is the first professional body in Iran which has received two major certificates from the Association of Chartered Certified Accountants. These certificates indicate the internationally recognized quality of the work accomplished by the organization and acceptability of its professional background by the biggest global professional association.





- Main Constituents and Their Functions

1. General Meeting

The General Meeting of the *Audit Organization* includes the followings;

Minister of Economic Affairs and finance as the chairman, *President's Deputy in Planning and Strategic Supervisions*, *Chairman of Central Bank of Islamic Republic of Iran*, *Minister of Industries, Mines and Commerce*, an *Minister of Justice*. The *Meeting* is generally responsible for setting policies and attesting plans, manuals, and financial statements, and also appointing members of *Board of Executives*. Moreover, accounting principles, auditing standards and the organization's code of ethics and disciplinary rules should be approved by the *General Meeting*.

2. Board of Executives & Executive Manager

The board of executives includes one member as a head who also acts as executive manager of the board, and six other executive members who are all experts, accountable and professionally well-known people. Proposed by the minister of *Economic Affairs and finance* and approved by the *General meeting*, the members of the *Board of Executives* are selected among experts and experienced accountants for a period of three years. The executive manager and all members of the board are responsible for planning, organizing, preparing and setting manuals, and managing and executing the programs. Each member of the board supervises certain parts of the organization's activities. Exposure drafts of professional principles and standards should be reviewed and confirmed by the board of executives and then sent to the general meeting for final confirmation.

The executive manager is first proposed by the head of general meeting and then approved by the general meeting. Other members are proposed by the executive manager and then approved by the general meeting. The board will remain in charge for a three-year time period.

3. Supreme Oversight Board

Supreme Oversight Board consists of the followings: two representatives from Executive Force, two representatives from Supreme Audit Court (Legislature Force), and a representative of Attorney General (Judiciary Force). The board is responsible for continuous supervision of the organization's current operations and statutory examination of its activities. The board should report its findings to the General Meeting and, where appropriate to regulatory bodies.

4. Specialized Committees

In order to perform the professional duties with utmost diligence, more than ten committees have been elected which operate their duties under direct supervision of the board of executives. The most important committees are as follow:

- a. **Technical Committee**, an eight-member committee, comprising of internal as well as external experts, which is responsible for accumulating technical and professional rules and manuals and also presenting solutions for certain accounting and auditing issues experienced in different entities. The *Technical and Professional Services Management of the Organization* is the taskforce for the execution of this committee's responsibilities.
- b. **Research and Training Committee**, a seven-member committee which is responsible for preparing and authorizing training, research and publication programs as well as directing and supervising professional seminars. *Research and Training Management of the Organization* is the taskforce for the execution of this committee's responsibilities.
- c. **Disciplinary Committee**, a four-member committee which is responsible for setting the codes of professional ethics as well as reviewing and expressing opinions on ethical cases.
- d. **Rules and Taxation Committee**, a six-member committee which is responsible for preparing required checklists and manuals necessary in observing rules and regulations, presenting reasonable solutions for taxation audits, and responding to



questions and statutory ambiguities. The *Technical and Professional Services Management of the Organization* is the taskforce for the execution of this committee's responsibilities.

- e. **Other Committees:** In addition to above mentioned committees, the organization has established other committees in order to enjoy ideas put forward by experts. The additional committees are as follow; *Strategic Developments, Accounting and Auditing Standards Setting, Staff Promotion and Jobs Classification, Article 151 of Commercial Law, Computerized Accounting System, and Operational Auditing.*

-Staff and Service Departments

In order to direct and supervise the staff and service departments, two deputies were established in organizational chart of Audit Organization. These deputies are as follow:

- a. **Technical Deputy;** is responsible for planning, directing and controlling all activities related to quality control, standards setting, research and training, and technical and professional surveys. Departments supervised by this deputy are as follow:
1. **Standards Setting Management;** is responsible for establishing suitable taskforces in order to prepare the exposure drafts for each specific accounting and auditing standard issues.
 2. **Research and Training Management;** is composed of professionals and academics (both full and part time) and is responsible for conducting research in accounting and auditing issues and publishing related books. *Centre for Professional Accounting and Auditing Studies* publishes textbooks in various accounting, auditing and related matters. This management is also responsible for conducting continuous professional development of the personnel and also presents training courses for clients and the managers.

3. Technical and Professional Services Management; is responsible for reviewing and analyzing specific clients' accounting and auditing issues and provides them with solutions to the best practice through *Technical Committee*. This management has the role of secretary to the *Technical and Professional Committee*.

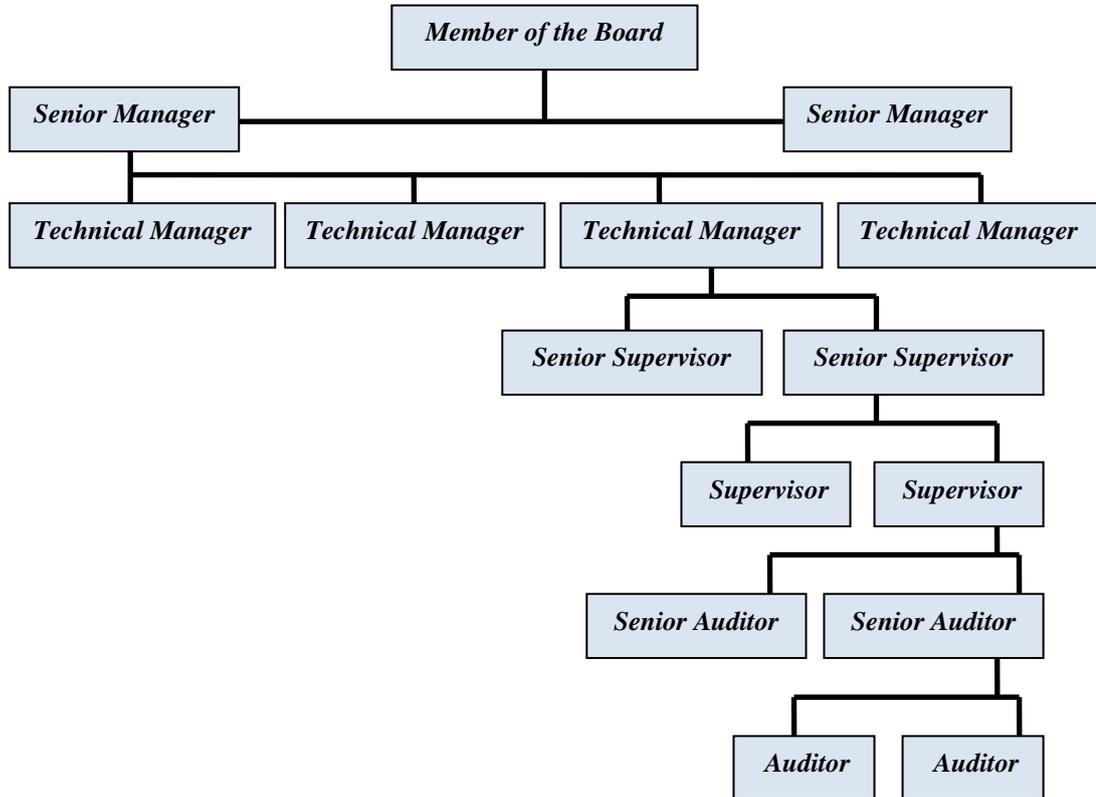
b. Management Enhancement Deputy; is responsible for establishing a suitable support system, directing and coordinating all activities related to administrative and financial matters, planning and control of the budget. The deputy is also responsible for providing and coordinating supportive activities to the professional and technical departments. This deputy supervises *Administration Management, Accounting Management, and Renovation and administrative Change Management*.

- **Operational Departments**

The following departments are responsible for operational activities conducted in Audit Organization:

Audit Managements; are composed of approximately 54 audit groups to perform statutory examinations and audit of clients and ownership plans of fixed assets. Audits are conducted in compliance with auditing standards and related rules and regulations, resulting in expression of opinions on financial statements, board of management's report, and entities' compliance with the rules and regulations. Should be required by the entity or an appropriate authority, certain reports such as tax audit reports, reports on corporation's capital increase and prospective financial events, interim reports, and reports on project finance bonds trusteeship are also rendered.

Organizational Structure of Audit Groups

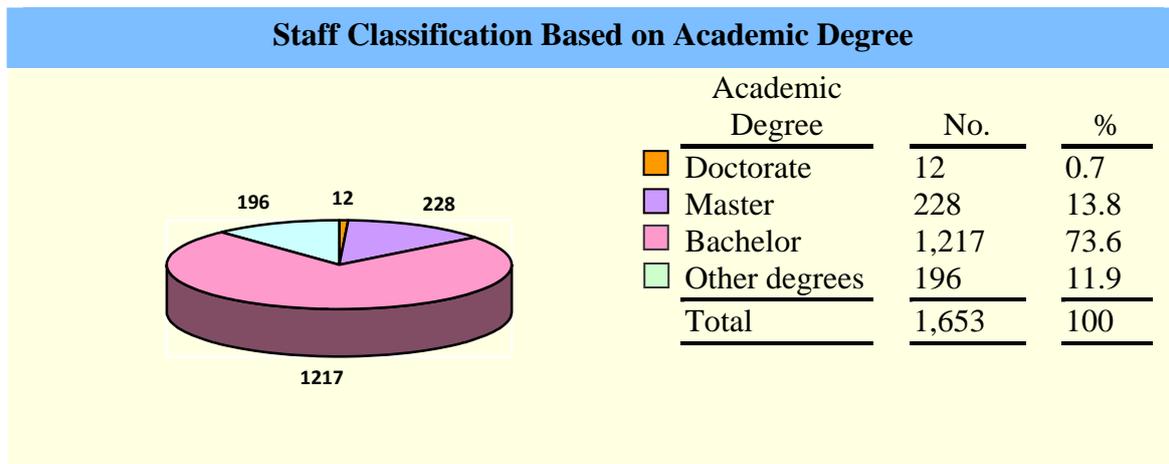


System Management and Financial and Managerial Consultancy; is composed of expert personnel and provides management consultancy services and establishes financial systems for entities as per their requests.

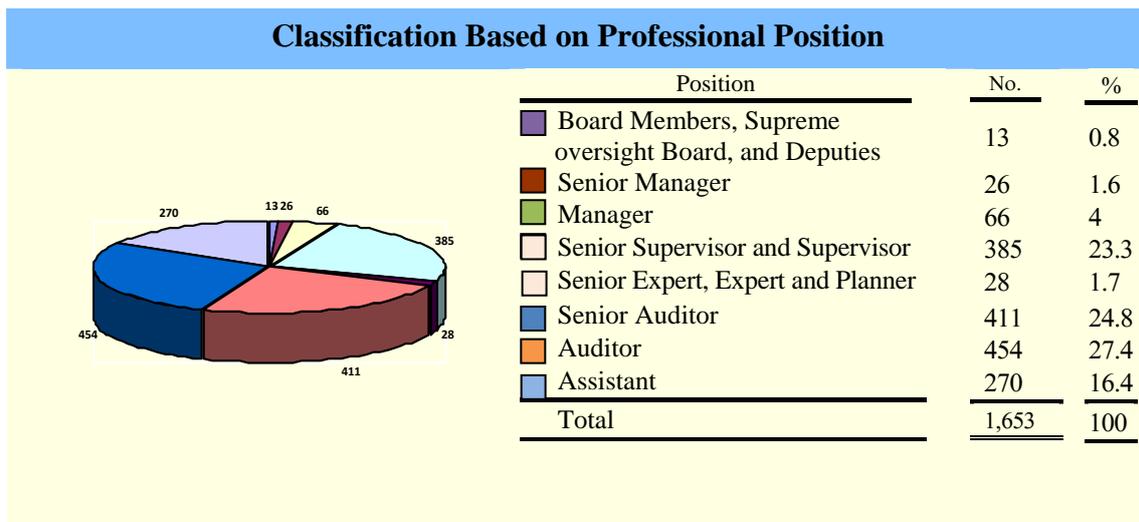
Operational Audit Management; established in 2003 and in response to the needs for operational audit in public sector, the management is responsible for conducting operational audit in required entities and those entities selected by the General Meeting of Audit Organization. Operational audit is conducted in order to make sure whether an entity’s operations are effective, efficient and economical.

-Workforce

Approximately 87% of the organization’s personnel are professional staff, of which over 228 are CPAs and members of Iranian Association of Certified Public Accountants (comprising 17% of official members of the Association). A classification based on the personnel’s academic degrees is presented in the following chart and table:



Staff classifications as per their professional positions are presented in the below table and chart:



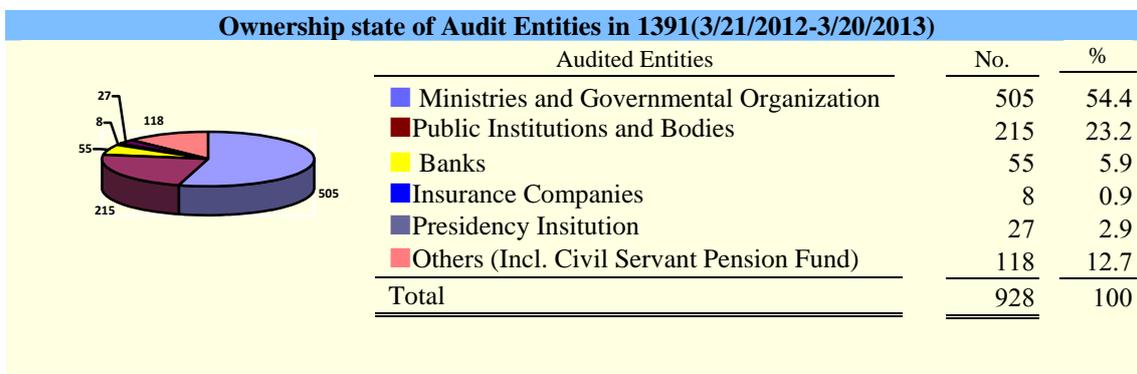
Audit Organization has conducted the following activities in order to discharge responsibilities bestowed by its act of establishment and article of association.

a. Auditing and Statutory Examination

Auditing and statutory examination of companies and state owned business entities are the main functions and responsibilities of Audit Organization. In recent years, the organization has audited many companies including; banks, National Iranian Oil Company, gas and petrochemical companies, regional water and power corporations, telecommunication companies, Iranian Tobacco Company, insurance companies, Civil Servant Pension Fund, and many other large industries and infrastructures. Social Security Organization, Mostazafan and Janbazan Foundation, Shahid Foundation, 15th Khordad Foundation and their subsidiaries are other major groups of entities audited by the organization. Investment companies and other enterprises controlled by banks are also among those entities audited by the organization. Furthermore, Audit Organization is among those few audit firms certified by the Stock Exchange Organization, and during year 1391 (2012-13), 75 listed companies were audited by the organization.

In addition to the audit of financial statements and based on Article 272 of Direct Taxation Act, the Audit Organization also provides tax reports for those clients requesting such services.

The distribution of the clients based on their ownerships, is depicted on the below table and chart:



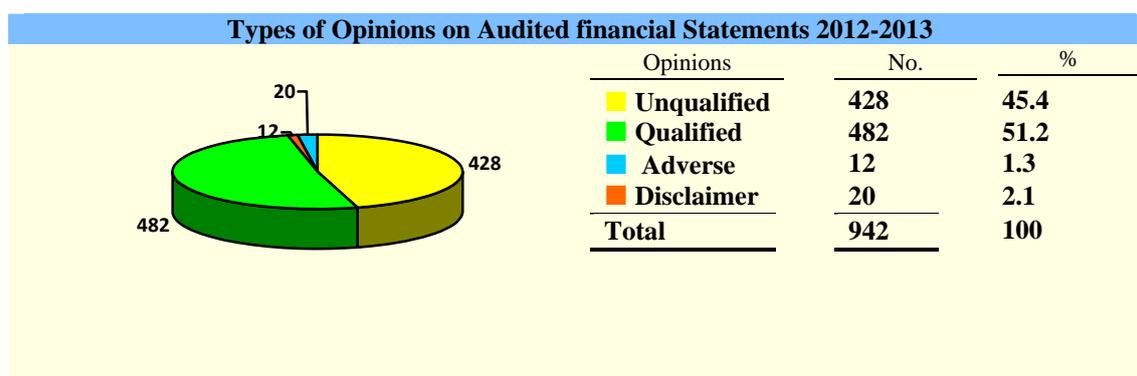
Within the past few years, there has been a declining trend in number of entities reviewed

by Audit Organization. This is due to some facts such as; realization of general policies embedded in article 44 of constitution law of Islamic Republic of Iran, establishment of Iranian Association of Certified Public Accountants, and following a general policy by which private sector is strengthened and some works previously conducted by the organization have been transferred to some audit firms which are members of the Association. Although the number of entities under review has been declining, the number of reports issued by the organization has increased due to increase in variety of reports issued by it including; reports on interim financial statements, future financial events, reports on internal control system, and so on.

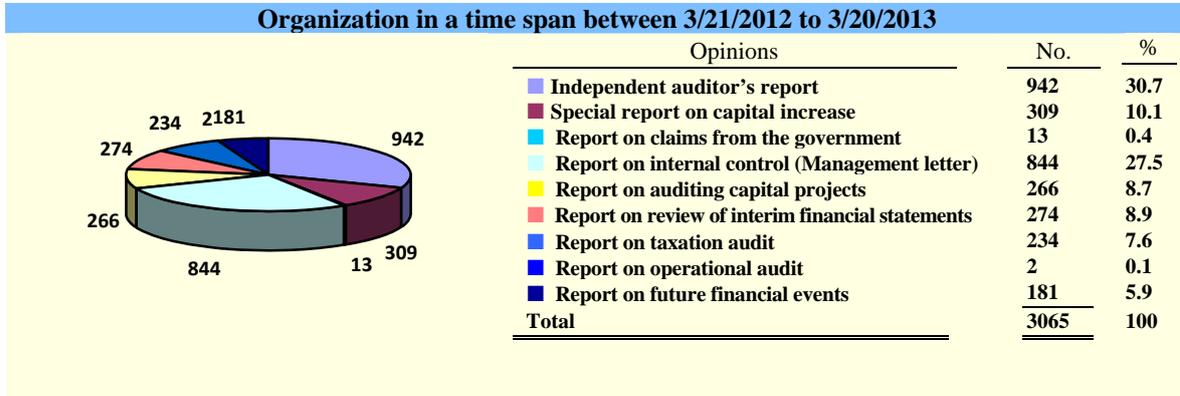
Entities under review by Audit Organization consist 4% of total number of audit portfolio of the country and 25% of total audit fee of auditors. It is worth mentioning that the total number of entities reviewed by non-governmental sector is 25,000 companies.

Auditors of Audit Organization are fully independent in expressing their opinions on audited financial statements; each report is prepared by audit manager and issued and signed by a relevant technical manager and posted and signed by a relevant technical manager who is a member of Board of Executives.

Different types of opinions on the audited financial statements of an entity are shown in the chart and table below:



A summary of professional activities and different reports issued by Audit Organization in a time span between 3/21/2012 to 3/20/2013 are as follow:



b. System and Management Consultancy Services

The department of System and Management Consultancy Services is active in presenting feasibility and activity recognition services, planning, training and establishing financial accounting and cost systems to different kinds of entities active in private and governmental sectors. To date, more than 200 entities have applied services rendered by this department with aim to increase quality and quantity of their activities.

c. Performance Audit

Since 2003-4, the organization has started performance audit and capital projects in order to increase effectiveness and efficiency in governmental entities, and to date it has submitted many operational audits and related reports for its clients.

In regard with article 218 of Law of Fifth Development Plan of the country that mandates all governmental and listed entities to conduct performance audit at least once in every five-year time period, and in order to expand management services, performance audit, and setting performance audit standards, in 2012 the organization prepared manuals relevant to performance audit standards.

- Setting Accounting and Auditing Standards

During the last two decades, Audit Organization has taken various measures such as; translation and release of International Accounting Standards, preparation and

publication of textbooks based on accounting and auditing standards used in developed countries, issuing sets of accounting and auditing manuals for certain topics, and issuing and publication of accounting and auditing guidelines in order to enhance auditing and accounting standards in Iran and harmonize Iranian profession with global practice. Based on the internal needs and in compliance with the latest standards released by international bodies, accounting and auditing standards and code of professional ethics are set and released in order to perform paragraph 4 of article 2 of Act of Establishment of the Organization.

a. Accounting Standards

Based on the latest international standards developed by IASB and with special consideration to the needs of accounting inside the country, Accounting Standards Setting Committee was established with the purpose of establishing accounting standards required. Every individual accounting standard is issued after passing through different analytical stages and then preparing its exposure draft to have the public opinions on it. Accounting standards are among the fundamental basis of the financial system applied in the country, and they bring financial clarity needed to assess entities' financial positions and operations.

To date, 32 accounting standards have been issued of which 9 have been revised due to national and international changes.

The list of accounting standards is presented in Appendix 1.

b. Auditing Standards

Based on International Auditing Standards issued by IFAC and through the same process applied for accounting standards, Auditing Standards Setting Committee so far has issued 40 auditing standards of which 15 standards have been revised. Currently, these standards are considered as the basis for independent auditing of entities active in private and public sectors. The list of Auditing standards is presented in Appendix 2.

c. Governmental Accounting Standards

In order to make fundamental changes in governmental accounting system in the country, in early 2009, Governmental Accounting Standards Setting Committee was established with the contribution of Deputy of planning and strategic supervision of President of Islamic Republic, Supreme Audit Court, Cost Deputy of Ministry of Economy and Financial Affairs, and Audit Organization itself. So far, the committee has issued the conceptual framework of financial reporting, standards 1, 2 and 3 and at the moment is in process of setting the remaining standards. The list of governmental accounting standards is presented in Appendix 3.

d. Operational Audit Standards

In addition to cooperation with other statutory bodies concerning operational audit of governmental entities, Audit Organization has set the required operational audit standards within the given time span and with ultimate goal of helping managers of executive bodies in developing efficiency and effectiveness of their related bodies.

e. Other Standards

Due to universal pervasiveness of International Financial Reporting Standards (IFRS), their acceptance, especially by the listed entities sounds inevitable. Therefore, in order to absorb foreign investments and facilitate presence of Iranian companies in global markets, Audit Organization has taken the initial steps in translating IFRS and has applied them in some especial entities.

In 2011, Standards Setting Department of Audit Organization translated and published International Accounting Education Standards. The goal was to enhance accounting and auditing education throughout the country and provide a reliable source for accounting education.

f. Code of Professional Conduct

One of the crucial roles played by accounting is the atmosphere that it provides for managers and supervisors of private and public organizations and entities to be accountable towards different stakeholders. The role is played by professional accountants through presentation of different kinds of financial reports. In addition to

knowledge, skill, experience, and continuous training, the reliability of the works presented by professional accountants is highly influenced by the level of their honesty, integrity, and realism. They should offer their services in accordance with the ethical rules. Based on the codes of ethics approved by IFAC, together with the socio- economic factors in Iran, the code of ethics for accountants was issued in 1998, to be effective as of 20th March 1999.

- **Training**

Developing professional knowledge of the organization's employees and managers, and accountants employed in entities under review is among the responsibilities set for Audit Organization. The task is fulfilled through planning and conducting continuous training programs.



Long-term Training Program for Professional Employees

Position	Topic	1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year	6 th Year
		Hours	Hours	Hours	Hours	Hours	Hours
Auditor	Financial Accounting	0	18	16	18	20	20
	Auditing	8	18	18	10	16	16
	Management, Management Accounting ,etc.	0	0	0	10	4	0
	Ethical Rules	8	4	6	2	0	4
	Total	16	40	40	40	40	40
	Information Technology	80	40	16	16	16	16
	English in Auditing and Reporting	0	0	4	4	4	4
	Total	96	80	60	60	60	60
Senior Auditor	Financial Accounting	16	16	16	According to this program, every employee must undergo 40hours of annual training, added by 20 hours of computerized auditing. Moreover, based on the works conducted by different professional levels, the training time has been wisely allocated to different required topics. The annual program was planned in alignment with the requirements set forth by professional bodies. Enforcement of the program requires three levels of knowledge and recognition, application and analysis, and assessment.		
	Auditing	16	16	16			
	Management, Management Accounting ,etc.	4	4	4			
	Ethical Rules	4	4	4			
	Total	40	40	40			
	Information Technology	16	16	16			
	English in Auditing and Reporting	4	4	4			
	Total	60	60	60			
Supervisor	Financial Accounting	16	16	16	According to this program, every employee must undergo 40hours of annual training, added by 20 hours of computerized auditing. Moreover, based on the works conducted by different professional levels, the training time has been wisely allocated to different required topics. The annual program was planned in alignment with the requirements set forth by professional bodies. Enforcement of the program requires three levels of knowledge and recognition, application and analysis, and assessment.		
	Auditing	16	16	16			
	Management, Management Accounting ,etc.	4	4	4			
	Ethical Rules	4	4	4			
	Total	40	40	40			
	Information Technology	16	16	16			
	English in Auditing and Reporting	4	4	4			
	Total	60	60	60			
Senior Supervisor	Financial Accounting	12	12	12	According to this program, every employee must undergo 40hours of annual training, added by 20 hours of computerized auditing. Moreover, based on the works conducted by different professional levels, the training time has been wisely allocated to different required topics. The annual program was planned in alignment with the requirements set forth by professional bodies. Enforcement of the program requires three levels of knowledge and recognition, application and analysis, and assessment.		
	Auditing	12	12	12			
	Management, Management Accounting ,etc.	12	12	12			
	Ethical Rules	4	4	4			
	Total	40	40	40			
	Information Technology	16	16	16			
	English in Auditing and Reporting	4	4	4			
	Total	60	60	60			

Long-term Training Program for Managers

Position	Topic	Hours
Managers & Senior Managers	New Accounting Standards and Related Matters	6
	New Auditing Standards and related Matters	6
	Management, Management Accounting, Governmental Accounting, etc.	4
	Updating Ethical Rules	4
	Total	20
	Information Technology	16
	English in Auditing and Financial Reporting	4
	Total	40

- **Research, Publications, and Other Scientific Activities**

The organization has been engaged in research and publication from its inception and so far has published 200 publications on financial accounting, managerial accounting, cost accounting, governmental accounting, auditing and other related subjects of which some have received public acclamation and elected as the book of the year. These publications are widely recognized as textbooks by universities and other institutions of higher education across the country. They have received massive reception from professional accountants, accounting students, and students in other related fields, and most of them have been reprinted in 10 to 15 thousand copies and in more than 20 times edition.

Hesabras (Auditor) Quarterly

To enhance accountancy knowledge among the organization's personnel and other external practicing accountants, Hesabras periodical is issued every two months in order to cover news from professional bodies, accounting advancements in different areas, accounting and auditing issues particular to Iran, taxation rules and regulations, and application of IT in accounting. Moreover, for accountants' information and having their comments on exposure drafts of accounting and auditing standards and Technical Committee's pronouncements, Hesabras also covers the aforementioned topics. By March 2013, 63 issues have been published.

The Portal

The comprehensive portal of the organization was initially established with the aim to eliminate many tedious physical operations previously done manually such as; filling in time sheets and printing out salary sheets, and it was targeted to make use of automated facilities in order to save time and reduce costs. In 2012, followed by the changes made in the organization's website, not only the security criteria were elevated, but also additional facilities such as ability to access other related websites, communicate with other organizations and receive information from internal systems were added to the portal.

ACL Software

In order to achieve the latest computerized audit technology, Audit organization decided to obtain ACL audit software in 2012. The software is among four popular audit software applied by big global firms. At the moment, the organization is planning to test it in a trial run and train its different features to the personnel. The software is scheduled to be experimentally applied by some audit groups in the second half of the current year.

Other Activities

Scientific support of seminars relevant to accounting and auditing profession is among other scientific activities administered by Audit Organization. In September 2011, the organization held the first conference concerning International Financial Reporting Standards (IFRS), Challenges and Changes, in quite a professional level. The seminar was focused on potential effects regarding acceptance of international standards and their role in financial reporting development. Securities & Exchange Organization, Industrial Development and Renovation Organization of Iran (IDRO), and the Association of Chartered Certified Accountants (ACCA) were among contributors to the seminar. From Audit Organization, two lecturers presented their views toward the subject:

- Mr. Akbar Soheilipour (Executive Manager of Audit Organization); and
- Dr. Mousa Bozorgasl (Member of the Board).

Also, in February 2013, the organization held the first national seminar concerning public sector accounting standards with participation of Ministry of Economic Affairs and Finance, Supreme Audit Court, Ministry of Health and Medical Education, and Tehran Municipality.

United Nations Office on Drugs and Crime (UNODC) meeting was held at Audit Organization with representative from the head office (Vienna), Iran, Belarus, Malaysia, and deputy of Ministry of Justice.

A meeting with a representative of the Association of Chartered Certified Accountants (ACCA) and also the ACCA's agent in the Middle East was held in Audit Organization during which the organization received two international certificates.

As per necessary, Audit Organization has always contributed in preparation process of bills, laws, and executive codes. The cooperation includes following issues:

- Rules, regulations, and codes relevant to Iranian Association of Certified Public Accountants (IACPA);
- Anti-corruption and Administrative System Safety Development Law;
- Anti-money Laundering Law;
- Fifth Development Plan Law;
- Accounting Manuals relevant to Iranian Petroleum Company and Iranian Government (prepared and passed every year);
- Commercial Law;
- Direct Taxation Law;
- Public Finance Act;
- Prior-period budgets Law; and
- Other Laws and Acts.



Audit Organization also tries to improve its relations and ties with other supervisory bodies through active participation, either as a member or as a guest, in their councils. A meeting with supervisory bodies including minister of intelligence, chiefs of General Inspection Organization, Supreme Audit Court, and Administrative Justice Court was held in that regard.

- Policies and Procedures

- Improving audit services provided to the government, providing special financial services to governmental sectors and those sectors supervised by the government, and responding to financial information of the government;
- Providing managerial as well as system services to the required entities in order to improve the quality of system in entities under review.
- Review and examination of the latest developments occurring in the profession, and planning for setting and expansion of accounting, auditing and ethical principles and standards in align with the Islamic rules.
- Application of scientific and empirical methods to improve professional knowledge based on domestic needs.
- Application of the latest computerized audit technology, upgrading the current hardware and network, communication with different organizational centers, and improving notification status within the organization.
- Improving the quality of audit works by increasing quality control activities, intensifying employees' morale, and emphasizing on the role of manager and supervisor.
- Improving accounting and accountancy culture through expansion of standards and publications, and participation in seminars.

- **Audit Organization's Function Regarding Safety Development of Administrative System**

As a supervisory authority and in order to fulfill its statutory duties and responsibilities, in accordance with the statements put forward by the supreme leader of the Islamic republic of Iran, Audit Organization has been always so determined to fight against financial and economic corruption with showing no compromise or hesitation with aim to develop safety level of administrative system. Consequently, this has resulted into a framework in which the organization's functions lie within. Apart from those activities which were covered in previous paragraphs and are directly related to safety development of administrative system, other important activities in this regard are as follow:

- 1- Strengthening entity's internal control system as a tool used for preventing intentional and unintentional misstatements.
- 2- Creating transparency in information exhibited to the users.
- 3- Developing accountability culture.
- 4- Preparing checklists related to safety development of administrative system and anti-corruption act and application of them by auditors.

- **Ways to Achieve Financial Statements Transparency and Develop Entity's Internal Control System**

- 1- Setting new accounting and auditing standards, as well as updating previous standards as per necessary, especially public sector and performance standards.
- 2- Auditing financial statements and statutory examination, as well as presenting reports regarding the followings:
 - Compliance with accounting standards;
 - Compliance with the rules and regulations; and
 - Other required matters.



- 3- Preparing management letters for entities which indicate deficiencies in their internal control systems and ways to correct them.
- 4- Conducting performance audit in accordance with related standards.
- 5- Other services.

- **Audit Organization's Role in Responding to Complaints**

Audit organization has pursued the following policies in order to enhance job security and respond to complaints, recommendations and criticisms put forward by its employees and entities under review:

- 1- Communication through a special email address;
- 2- Communication through the organization's website and Hesabres Quarterly;
- 3- Communication through the portal for the organization's personnel;
- 4- Communication through Board members' and deputies' email addresses;
- 5- Communication through personal meetings at the first working days in each month, after 2:00 p.m.; and
- 6- Communication through a mailbox dedicated for complaints and recommendations which is viewed directly by the Executive Manager.

- **Covenants**

There are always some ways to breach internal controls. However, with help of God, managers and other employees in Audit Organization hope to play their dedicated functions as financial supervisors in profit organizations, enhancers of accounting knowledge and profession, and developers of the quality of accounting services as best as possible, and accordingly increase validity and desirability levels of the information provided by the entities and expand accountability culture in the society.

- Appendix 1: List of Accounting Standards

Approved Standards

No.	Title	Compatible with
1	Presentation of Financial Statements	IAS 1
2	Cash Flows Statements	IAS 7, except for (a)
3	Revenue	IAS 18
4	Provisions, Contingent Liabilities and Contingent Assets (revised 2005)	IAS 37
5	Events after the Balance Sheet Date (revised 2005)	IAS 10
6	Report on Financial Performance	IAS 8
8	Inventories	IAS 2
9	Construction Contracts	IAS 11
10	Accounting for Government Grants	IAS 20, except for (b)
11	Tangible Fixed Assets (revised 2007 and corrected 2010)	IAS 16
12	Related Party Disclosures (revised 2007)	IAS 24
13	Borrowing Costs	IAS 23
14	Presentation of Current Assets & Current Liabilities	IAS 1
15	Accounting for Investments (corrected 2010)	IAS 25
16	Foreign Exchange Translation (revised 2010)	IAS 21, except for (c)
17	Intangible Assets (revised 2007 and corrected 2010)	IAS 38
18	Consolidated Financial Statements and Accounting for Investment in Subsidiaries (revised 2005 and corrected 2010)	IAS 27,
19	Business Combinations (revised 2005)	IAS 3, except for (d)
20	Accounting for Investments in Associates (revised 2010)	IAS 28, except for (e)
21	Leases (corrected 2010)	IAS 17
22	Interim Financial Reporting (corrected 2010)	IAS 34
23	Accounting for Joint Ventures (corrected 2010)	IAS 31
24	Financial Reporting by Development Stage Enterprises	Not Available
25	Segment Reporting	IAS 8, except for (f)
26	Agriculture	IAS 41, except for (g)
27	Retirement Benefit Plans	IAS 26
28	General Insurance	Not Available
29	Real Estate (corrected 2010)	Not Available
30	Earning per Share	IAS 33
31	Non-current Assets Held for Sale and Discontinued Operations	IAS 5
32	Impairment of Assets	IAS 36
33	Employee Benefits	IAS 19

(a) Two extra subtitles are added to cash flows statements.

(b) Requirements mentioned in Iranian Regulations.

(c) Recognition of differences arising on translation of foreign currency balances of companies subject to State Audit Act of Iran and transfer of exchange differences included in owner's equity to retained earnings on disposal of foreign operations.

(d) Except for amortization of goodwill, minority interest and goodwill.

(e) Presentation of investments in associates in the financial statements of investor.

(f) Requirements regarding identification of primary and secondary segments and disclosure of each segment's share of profit or loss in investments accounted for under equity method.

(g) Recognition of environmental assets at their costs and governmental grants according to their amortization rate.

- **Appendix 2: List of Auditing Standards**

Auditing Standards, Other Assurance and Related Services

No.	Title	Compatible with
1	Quality Control, Auditing, Review, Other Assurance and Related Services (Issued 2008)	1
200	Objectives and General Principles Governing an Audit of Financial Statements (Revised 2007)	ISA 200
210	Terms of Audit Engagement	ISA 210
220	Quality Control for Audits of Historical Financial Information (Revised 2007)	ISA 220
230	Documentation (Revised 2007)	ISA 230
240	The Auditor's Responsibilities to Consider Fraud and Error in an Audit of Financial Statements (Revised 2005)	ISA 240
250	Consideration of Laws and Regulations in an Audit of Financial Statements	ISA 250
300	Planning an Audit of Financial Statements	ISA 300
315	Understanding the Entity and Its Environment and Assessing the Risk of Material Misstatement (Issued 2007)	ISA 315
320	Audit Materiality	ISA 320
330	The Auditor's Procedures in Response to Assessed Risks (Issued 2007)	ISA 330
450	Evaluation of Misstatements Identified During the Audits	ISA 450
500	Audit Evidence (Revised 2005)	ISA 500
501	Audit Evidence- Additional Considerations for Specific Items (Replaced with Section 50 Appendix, 2005)	ISA 501
505	External Confirmation (Revised 2004)	ISA 505
510	Initial Engagement- Opening Balances	ISA 510
520	Analytical Procedures	ISA 520
530	Audit Sampling and Other Means of Testing (Revised 2004)	ISA 530
540	Audit of Accounting Estimates	ISA 540
550	Related Parties	ISA 550
560	Subsequent Events	ISA 560
570	Going Concern (Revised 2004)	ISA 570
580	Management Presentations	ISA 580
600	Using the Work of Another Auditor	ISA 600
610	Considering the Work of Internal Audit	ISA 610
620	Using the Work of an Expert	ISA 620
700	The Auditor's Report on Financial Statements (Revised 2005)	ISA 700
705	Modifications to the Opinion in the Independent Auditor's Report	ISA 705
706	Emphasis of Matter Paragraphs	ISA 706
710	Comparatives (Issued 2005)	ISA 710
720	Other Information in Documents Containing Audited Financial Statements (Issued 2005)	ISA 720
800	The Independent Auditor's Report on Special Purpose	ISA 800

No.	Title	Compatible with
	Audit Engagements	
805	Special Considerations- Audits of Single Financial Statements, Special Elements, accounts or items of Financial Statements	ISA 805
1005	Audit of Small Entities	IAPS 1005
1007	Communication with Management	IAPS 1007
2400	Engagements to Review Financial Statements	ISRE 2400
2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity	ISRE 2410
3400	The Examination of Prospective Financial Information (Issued 2005)	ISAE 3400
4400	Engagements to Perform Agreed-upon Procedures Regarding Financial Information	ISRS 4400
4410	Engagements to Compile Financial Information	ISRS 4410



- Appendix 3: List of Public Sector Accounting Standards

No.	Title
	Conceptual Framework
1	Presentation of Financial Statements
2	Presentation of Budget Information in Financial Statements
3	Revenue from Non-exchange Operation (Tax and Transfers)

Audit Organization Provincial Offices

Office	Address	Phone No.
AHVAZ	No. 98, Chaharom Gharbi St., Kianpars St., 6155833634	(0611) 3386733-5
BABOL	No. 10, Amir Kabir St., Shariati St., 4714799999	(0111) 3265011
GHAZVIN	No. 242, Babaei St., 3415737653	(0281) 3671577
ISFAHAN	No. 7, Borzooye Alley, Daneshgah St., 8173966741	(0311) 6241141
MASHHAD	No. 14, 5 th Mina, Ibn Sina Gharbi St., Ferdowsi Blvd., 9178791141	(0511) 7685061-2
RASHT	No. 15, Somayeh Blvd., Golsar, 4165733499	(0131) 7220027-9
SHIRAZ	No. 245, Chamran Blvd., 7194715478	(0711) 6278334
TABRIZ	No. 1/31, Najm Mehrgan Alley, Azadi St., 5165694848	(0411) 3355665