Review the Executive Barriers of Management Performance Audit in National Petrochemical Industries Company and affiliated Companies from Corporative Managers’ Viewpoint

Afshin Nokhbeh Fallah

Faculty member, Department of management, Islamic Azad University, Parand Branch, Parand, Iran.

ABSTRACT

Auditing the performance of management is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, programs, activity or function in order to provide information to improve public accountability and facilities decision-making by parties. It involves an independent assessment of whether economy, efficiency and effectiveness have been achieved by the concerned organization. The research tries to survey obstacles for executing of auditing the performance of management in National Petrochemical Industries Company (NPC) and affiliated companies (companies with a minimum ownership of 50 percent and not acquired for sale). For this purpose NPC and its 32 affiliated companies were selected and 59 questionnaires each consists of 24 questions were sent to Managing director, Financial managers, Commercial managers, Administrative managers and Planning and control managers. 43 returned questionnaires shows that; Not having knowledge about importance of performance audit in line with organization’s goals, insufficient expertise in auditors, lack of suitable laws and regulations, not having professional standards, accountability culture and theoretical sources are the main obstacles for executing of auditing the performance of management.

INTRODUCTION

Management is defined as making effective and efficient of resources to achieve their goals and these resources typically include capital, labor and other resources that are available to the organization. A manager must take action in order to achieve the maximum benefits of planning, organizing and control. (Smith, 1972). In today’s world, managing director and pioneer always try to obtain the necessary confidence from the careful monitoring and evaluation of their obligations to stay powerful and dominant issues facing and do their work properly and on time. Therefore they should never take advantage of the services of experts outside of their organization to identify problems and offer solutions that may be questionable by using this service achieve to more growing success.

Management and audit-related services are such tools that aimed at helping managers to better leading the economic entities in developed countries to evaluate the effectiveness, efficiency and economy in business and to provide practical suggestions, help enterprise administrators in the office and the quality assessment tools available to management.

Review documents and historical evidence suggests that has been required to conduct more audits dating from the late nineteenth century.

Basic concepts of management auditing:

Auditing function has three basic components: efficiency, effectiveness and economy that are so important. The evaluation of the efficiency, effectiveness and economy must be part of the normal process of management of each business unit in the public and private sectors and managers’ performance reviews as one of its responsibilities to control activities domestically and independent assessment of the internal audit function to be made by management or the independent auditors.
The following diagram illustrates the relationship between data, process, output and efficiency, economy and effectiveness states that:

![Diagram of the relationship between data, process, output, efficiency, economy, and effectiveness](image)

**Picture:** Graph the relationship between the concepts of performance audit (site C & AG, 2001)

Economic-efficiency is planned than the planned and actual data to measure, efficiency and effectiveness of actual data on real output, real output relative to output.

UK Accounting Office defines the three components as follows: (Bani Fatemi, 2003 and 2004)
- **Economy:** minimizing the cost of resources required or consumed according to the desired quality (economic consumption)
- **Performance:** maximum output with minimum input to the input constant or fixed output (consumption good) effectiveness: the desired results and the actual results of projects, programs or other activities (wise consuming)

According to the United States government accounting standards, efficiency and economy are the words related to each other and making separate professional comment on each of the two impossible.

Given the quality and quantity of economy requires that the resources are used properly and with the least cost. Since the efficiency of the relations is achieved between data sources and outputs, the concept of efficiency and economy are linked as inseparable.

Similarities and differences between the efficiency and effectiveness can be evaluated on the following topics:
- **Systematic approach:** components of a system, including data processing, output and feedback. Topics focus on the performance and attitude of most of the data and systems, in the effectiveness the attention and attitude is towards the system outputs. Obviously, in order to evaluate the system performance considering both data (efficiency) and output (effectiveness) is necessary.
- **Organizational approach:** In any organization, the basic approach is that the use of human and material resources available and appropriate activities and management practices, organizational goals has been fulfilled. The organizational efficiency is increased using advanced technology and management methods to obtain higher returns consistent with human and material resources and less possible. Also improving the effectiveness of an organization is realized when organizations realize their aims more.
- **Quantitative and qualitative factors:** checks the efficiency, quality and effectiveness, and for improving productivity, enhancing the quality and quantity is required.

**Objectives of management auditing:**

Achieving the efficient and effective operation, the primary responsibility for the management of organizational and management structure of the entire organization, operation and management control should be designed in order to achieve this goal. (Alsurth, 1971).

Auditing Management Practice is a clear example of Management Consultancy that may also have some of the characteristics of the financial statement auditing. This type of auditing involves a systematic review of the activities of an organization or certain parts of it to achieve specified objectives. The overall objectives of management performance auditing will include the following topics:

A) Evaluating the performance compared to the goals set by management or other appropriate measures.
In order to ensure the economy and efficiency of operations, systems planning and control design and implementation are evaluated. It covers the following:

- To ensure the existence and to take appropriate measures to evaluate operations, these criteria are usually determined by management or other competent authorities.
- To ensure a comprehensive and integrated system of information and operational (including programs, policies, procedures, and guidelines) and understanding of all operational levels.
- To ensure an emphasis on customer satisfaction and customers (internal and external) services and products.
- To ensure forecasting and implementation of the evaluation system and appropriate feedback on the organization.

- Ensuring the reliance on operational reports as one of the main principles of management decisions.

B) Identify opportunities for improving the economy and efficiency of operations, including:

- Identify strengths and potential opportunities, including in the areas of human resources, technology, unused capacity, financing and marketing practices and ...

- Identify potential hazards and important

C) Proposals or acts to improve operations and further proceedings.

The nature and scope of the proposals on the management performance audit is very different. Management performance audit can often offer special offer.

In other cases it may be more Reviews (not within the range anticipated in the contract) is essential if the reasons auditor is required to review and further action in this area is. Principles of Auditing Practice (Alavi, 1995 - Mohaymeni and Abdullahpour, 2001)

The principles of management auditing include the following:

1. Audit function should be considered as a process completely independent and impartial.
2. Performance audit of the management tool for identifying problems and resolving bottlenecks and critical and cynical view of it.

The purpose of the audit function, but also to criticize the current operations, reviews the operations by working with management and staff, and develops a program to improve its operations. The most effective way is to achieve this is to work with management and staff in areas such entity, they have the necessary knowledge of the weaknesses and at the same time they are willing to cooperate. The concept of an internal audit function should be reviewed Economic and efficient operation of the organization is considered to be the cause of increased.

3. With respect to the feature set and performance evaluation considers the factors limiting activities.
4. The audit function should be dealt with issues of responsibility and commitment.
5. The audits of management thinking is involved.
6. Audit practice is done by professionals and knowledgeable about the deal.

Progress and success in achieving the benefits of auditing the auditor's performance largely depends on the skills and mindset to manage towards them. Auditors are responsible for conducting such responsibilities have the necessary skills in the areas of financial accounting, management and operating environments. Essential features and properties of performance audit include the following:

- Curiosity
- The ability to analyze
- Ability to convince the
- Good professional judgment
- Conventional wisdom
- Neutrality
- Communication skills
- Independence
- Self-Esteem

In addition to the features described the ability to identify operational failure, the ability to identify critical problem areas, creativity in completing a set of techniques and skills necessary to transfer the results of the audit, performance audit is another feature.

Comparison of financial auditing and auditing performance:

In addition to differences deduced from the above, the audit of the audited financial statements is more general contrary to the purposes and approaches. Auditing practice requires a variety of skills to be professional and effective communication with all levels of an organization and evaluate all aspects of an organization. Department of accounting and finance, manufacturing, engineering, inventory control, customer service, finance, purchasing, personnel, administrative, information processing, and marketing and sales of parts that can be included in the audit function.
More about performance auditing responsibilities included management and it aims to identify opportunities for cost savings and improving efficiency and effectiveness in the implementation of procedures and operations.

This audit is a modern form of auditing and auditing is in compliance with the audit of financial statements. The main difference between the audit function and the role of the auditor is to audit the financial statements further evaluation of the role of the auditor is auditing activities.

The difference between financial accounting and management accounting function can also be pointed out that financial audits performed during an annual repeated cycle. If the audit function is performed as a separate project.

Another difference between these two types is that they are auditing standard. According to this plan proved is very difficult to audit performance in a standard form.

Audit function has always necessary guidelines for directors and managers of the weaknesses of the economic unit helps to overcome their difficulties and take the necessary recommendations and thus the implementation of a plan is provided for improvement and development, program or function, and to promote the implementation of more and better jobs. Unlike the audited financial statements of the audit function, small and factor analysis in that special place and also contributing to the efficient allocation of economic resources, constraints are more considered the excess of benefits over costs.

Performance auditing and management controls (Nikkhah Azad, the auditor 6)

Since management decisions, activities, and results in any organization is going through its information systems and management planning and control system is part of the existing information systems, therefore the study and test management controls in performing the audit function is essential.

Counters in the initial review of management, the auditor should consider the following items:
1) Is the organization's policy to comply fully with the powers and essential privileges of the organization?
2) Have the system of management controls, procedures and policies, as consideration for the top management to efficiently and economically been designed.
3) Does an adequate system of management provide a control over resources, revenues and expenses?

Some of the factors that the auditor should assess control system to manage and assess problematic areas to consider are:
(1) The use of standards or objectives of management for judging the performance, productivity, performance, or use of goods and services
(2) The absence of written instructions that cause misunderstanding, conflicting demands, and implementing non-uniform distortions are unacceptable.
(3) Take responsibility for their lack of success in
(4) Re-work
(5) Improper use of cash
(6) Organizational pattern unreasonable and unnecessary
(7) To useless, inefficient use of staff and physical resources
(8) Things unfinished

Method:

Deductive method is inductive. In order to do research and gather the necessary information, the questionnaire consisted of 24 questions was designed concerning the form, the number and type of questions to provide targeted species and a pilot were distributed among members of society. Responses to questionnaires distributed and purified and their classification, the validity of the study and were confirmed. Also possible to design a questionnaire and validity of the views and opinions of professors, scholars, officials and administrators were associated with the topic.

Statistical society:

The population of this study is managing, financial, commercial, administrative, and planning and control directors of the National Petrochemical Company and subsidiaries which were active in 2004. National Petrochemical Company of Iran affiliated companies (companies with more than 50% of their shares are owned National Petrochemical Company and education were not for sale), consisting of 32 firm. How to distribute the population is shown in figure 1.

Sampling:

Of the above mentioned target population (118 members), 59 members were selected and a questionnaire was sent to them, and based on 43 questionnaires received, the analysis is conducted.

The following table shows the number of questionnaires sent and received in the target population groups indicate that:
Table 2: Data sent and received by all categories

<table>
<thead>
<tr>
<th>Questionnaires received</th>
<th>Questionnaires</th>
<th>Number of statistical society</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>16</td>
<td>33</td>
<td>Managing Director</td>
</tr>
<tr>
<td>13</td>
<td>16</td>
<td>33</td>
<td>Director of Finance</td>
</tr>
<tr>
<td>12</td>
<td>16</td>
<td>31</td>
<td>Director of Administration</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>14</td>
<td>Manager of Planning &amp; Control</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>7</td>
<td>Commercial Manager</td>
</tr>
<tr>
<td>43</td>
<td>59</td>
<td>118</td>
<td>Total</td>
</tr>
</tbody>
</table>

**Hypothesis:**

Hypothesis that illuminates the trajectory of research and the process and helps in achieving the expected results of the research are as follows:

1. Lack of sufficient awareness of the role of directors, audit management, audit management is the obstacle on run in line with the organization's goals.
2. The absence of binding regulations and proper management performance audit is the obstacle on run.
3. Lack of sufficient skills in the operation of obstacle auditors to audit the implementation of performance management.
4. Lack of professional standards for the operation of obstacle to the implementation of management performance audit.
5. Lack of Accountability Culture Audit management is run.
6. Lack of sufficient knowledge about the theory and practical methods Management audit is run.

**Test hypotheses:**

Since, these hypotheses will examine the relationship between phenomena and because the questions are independent of each other a few questions to test their hypotheses, multivariate analysis of variance was used to Friedman.

**Friedman Formula:**

\[ k \left[ x_{11}, x_{12}, x_{13}, \ldots, x_{Km} \right] = \chi^2 = \frac{12}{N(K)(K+1)} \left( \sum_{j} RJ^2 \right) - 3N(K+1) \]

- \( N \): Number of hypothesis relating questions
- \( K \): Distance scale 5-1
- \( \sum RJ^2 \): Square of sum of columns
- \( H_0 \): first hypothesis
- \( H_1 \): contrary hypothesis
- \( \alpha = 0.05 \): Possibility level
- \( W = \left[ \chi^2 \geq \chi^2_{1-\alpha, k-1} \right] \): Critical region

**Discussion and conclusion:**

Test criterion value is calculated based on Friedman function or placed in critical areas or in authorized area, then to the right or the wrong \( H_0 \) hypothesis is confirmed and judged by 95%. It means that if the numerical value is the test criterion in a critical area. \( H_1 \) hypothesis is rejected and \( H_0 \) hypothesis is accepted, otherwise \( H_0 \) is accepted by 95%.

**Hypothesis results:**

As was found, the subject of this study was to investigate the barriers to the management performance audit of National Petrochemical Company and subsidiaries that is tried by the hypothesis that we examined these barriers. All hypotheses were tested at the 95% confidence level and all of them have been confirmed. In sum test hypotheses by priority (high or very high percentage of options), are in accordance with the following table:

<table>
<thead>
<tr>
<th>Priority</th>
<th>Describe the barriers to performance audit management</th>
<th>Hypothesis No.</th>
<th>Choices of high and very high</th>
<th>( \chi^2 ) Test criteria</th>
<th>( \chi^2 ) ( \leq 9.49 )</th>
<th>Confidence level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of skills in auditing</td>
<td>3</td>
<td>76</td>
<td>10.87</td>
<td>( \chi^2 ) ( \geq 9.49 )</td>
<td>95%</td>
</tr>
</tbody>
</table>
at the global market, competition between companies and firms more
cated that the lack of
management. -
ded to the theory and
d control management should
function and performance of weaknesses helps them to overcome their difficulties

Given that the questionnaire should be high and middle managers National Petrochemical Company and its
access to some of the problems of
completed But according to the administrative office and busy working respondents, difficulties in the way of
questionnaires, the problem was resolved within acceptable limits.

human resource development, and the National Petrochemical Company Several follow
inventory inherent limitations: the low relative percentage of their extradition. In this study occurred
audit management is clear examples of management consulting services which
may be some properties have audited financial statements. This type of audit includes systematic study of the
activities of an organization or a specific part of the specific objectives.

Reinforce the positive aspects of management accounting management skills lead to problem solving,
overcoming problems and improve the quality of businesses are run. Now the question that arises is that given
the importance and role of management accounting practice what barriers exist in implementing it? This study
seeks to answer the question is mentioned. Six hypotheses were developed.

The first hypothesis, looking for was whether the failure to recognize the Site The importance of
management accounting purposes is the obstacle for its implementation? Collecting, reviewing and analyzing
the data, it was determined that the cause is one of the obstacles to the implementation of audit management.
The second hypothesis seeks to answer the question whether the absence of binding rules and regulations
and appropriate management is an obstacle to the implementation of performance audit? The analysis of data
indicated that operating management is one of the obstacles to the implementation of performance audit.
The third hypothesis was to answer the question whether the lack of expertise in auditing the auditors
obstacle to implementing performance management? By analyzing data collected indicated that the lack of
expertise in auditing the auditors of the barriers to implementing performance management.
The fourth hypothesis is looking for whether the lack of proper professional standards of management
performance audit is an obstacle to its implementation? Collecting, reviewing and analyzing the data, it was
found that this factor is one of the obstacles to the implementation of audit management.
The fifth hypothesis is to answer the question whether the lack of a culture of accountability
auditors to implementing performance management? By analyzing data collected indicated that the lack of
accountability culture Audit management is one of the barriers to implementation.
The sixth hypothesis is followed by a Does the lack of adequate resources in relation to the theory and
practice of management is to prevent the implementation of performance audit? Collecting, reviewing and
analyzing the data, it was found that this factor is one of the obstacles to the implementation of audit
management.

According to the results, it can be concluded that the audit function must place the appropriate economic
unit manager; this is achieved by removing barriers. Managers should always have the necessary guidelines for
the management of the audit function and performance of weaknesses helps them to overcome their difficulties
and take the necessary recommendations thus, the basis for improving and optimizing provided the performance
of a project, program or organizational performance and quality of execution of the work.

Research limitation:
In this study, the most important limiting factors exist which are:
(1) Inventory inherent limitations: the low relative percentage of their extradition. In this study occurred
according to the questionnaire with the approval of Financial Planning and Budget Monitoring, research and
human resource development, and the National Petrochemical Company Several follow-up to the return of the
questionnaires, the problem was resolved within acceptable limits.
(2) made available by sampling The possibly the majority of the population consisted of a questionnaire to be
completed But according to the administrative office and busy working respondents, difficulties in the way of
easy access to some of the problems of questionnaires have been distributed.
(3) Given that the questionnaire should be high and middle managers National Petrochemical Company and its
subsidiary companies reached the spatial distribution of the companies mentioned, and they haul of one of the
questionnaires and data collection is time consuming.
(4) Another limitation of this study relates to the limitations of Likert scale data is measured. It is critical that this spectrum will enter In spite of the other spectra tend to more accurately gauge the size of minimum Nevertheless the level ordinal scale does not exceed one and cannot be seen in the distance scale.
(5) Lack of familiarity with the topic examinees.
(6) New topic in scientific circles of the country and thus the theoretical and practical resources.
(7) Likelihood of generalization of the results to those companies who are not examples of the limitations of the study is considered.

Suggestions:
According to the results of research proposals seemed to have been mentioned below:
(1) It is recommended that universities, the General Accounting Office, the audit, Chartered Accountants and CPAs community are holding various seminars and invited the CEOs of the companies to attend the event to the audit report and management action benefits to directors and decision makers to express entities.
(2) Attempts of the professional organizations such as the Supreme Audit and the Audit Office in order to pass new laws and regulations in order to enable the management of the audit function economic and managerial performance evaluation units to increase efficiency, economy and effectiveness.
(3) Specialized courses in specific auditing Accounting and Auditing Standards Auditing Organization as author in order to enhance the professional expertise of auditors working in the opportunity to recognize auditors auditing techniques and management practices for recruiting professionals in this field and coerced these courses for various categories of auditors.
(4) Develop national standards for the audit of management.
(5) Create a culture of accountability in the implementation of the work it measures 6 by universities and professional subjects to the inclusion of the concepts and principles of management accounting in university accounting courses at the undergraduate and graduate.

Other suggestions:
(1) A change in method of accounting personnel to perform management functions.
(2) Select appropriate methods for understanding and promoting the vision and knowledge of staff the effects of the implementation of audit management to increase efficiency, and cost effectiveness.
(3) Encourage or coerce shareholders or their representatives in government institutions want real analysis and detailed account of the activities of CEOs in the public units from the relevant regulatory bodies.

Suggestion for future research:
(1) Assessing the barriers to performance audit of the management of other aspects (lack of effective management control systems, control systems, budgeting, financial and operational systems).
(2) To conduct an audit of the management in various industries due to their activities.
(3) Assess the impact of performance audit on the management of increased productivity.
(4) Auditing Standards requires management.
(5) Identify audit criteria for management performance in various industries.
(6) Comparative performance audit in Iran and other countries.
(7) Research on Comprehensive audits are conducted in.
(8) Ways to restore auditing standards for performance management in the public sector, in addition to performing compliance audits.
(9) Barriers and failures in the implementation of government auditing.

REFERENCES
Leo, Herbert, 1979. Auditing the performance of management.