

Studying the relationship between operational auditing and improving the budget's performance in Insurance Company in Tabriz

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Abstract: The budget reflects the total financial policies of a government to achieve the national goals. The budget will be effective when it is administered appropriately and in this case the government and its administrative foundations will succeed to realize the goals. Regarding the role of operational auditing it is expected that by operational auditing the control over the performances of the governmental organizations will increase. Thus, in this research we will study the relationship between operational auditing and improving the budget's performance in Insurance Company in Tabriz. To collect the data used in this research, we have presented some questionnaires to the staffs and financial managers as a whole. The results of the research hypotheses' tests showed that operational auditing will result in administering the approved budget according to the budget rules, the receipt of the absolute amounts of the incomes, the absorption of the expected expenses and the appropriateness of expenses' absorption in proper places.

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Introduction

The operational auditing was posed from 1875 in countries such as Germany, England, Canada, and The United States. In early 1970s the role of the governmental auditors was dramatically changed in those countries. The dissatisfaction from the traditional auditing related to the acceptance of the rules and regulations and the expectations of the citizens regarding the responsiveness of the public sector managers were appropriate stimuli to force governmental auditors to use operational auditing (Dubrow, 2004). In today's world the pioneering managing directors always try to make sure of the exact supervision and a concrete assessment on their own duties to remain strong and dominant against what they encounter and do their tasks appropriately and in time. Thus, they should never hesitate in utilizing the services of specialists and technicians out of their organizations to identify the problems and present the resolutions. They should use these services to achieve greater successes (Yoshimi, 2002). Regarding what has been pointed out earlier in this research, we would like to answer the following question in this research: "Is there a relationship between operational auditing and improving the budget performance in Insurance Company in Tabriz or not?"

The study of the related literature

Wadiee (2000) identified the problems and defects of our country's supervision system and

categorized them as follows: the existence of parallel controlling organizations and parallel working, having dispersed, contradictory rules and regulations and insufficient budgets appropriated to controlling parts. In another part of the present research, we will use Delphi's method to ask for the ideas of the specialized and scholars in the field and finally it was suggested that there should be a high board of financial control committee in the public sector as a resolution to remove these problems. Holins (2004) studied and identified the effective factors on controlling area of the different levels' managers. The observance limitation shows the number of the individuals who report the same manager and it shows the type of the working groups too. After analyzing the information it was found that planning, geographical aggregation, coordination and planning are considered to be among the factors effective on managers' supervision area. Banen (2005) studied the present problems in supervising the budget in bankrupted or in the threshold of bankruptcy of European Union's organizations. In his research, he wanted to identify the problems of supervising the budget. After doing the research, it was found that weakness in programming and targeting, shortage and the weakness of the scholar work force will finally result in weakness in organizing and forming. And this will result in problems in controlling the budget of these organizations. Debin (2007) studied the process of financial control system in health care systems in Canada. He identified the elements of the

controlling system and studied controlling methods including the organization's internal and external controlling related to financial auditing and internal auditing in health care field. Kim (2009) studied the relationship between the budgeting control systems in industrial entities in South Korea. In this research, most of industrial companies with over 50 workers who were working in industrial townships around Seoul were investigated and it was found out that there is a relationship between budgeting control systems based on industrial standards in South Korea and the international standard system.

Theoretical Framework and Research Hypotheses

Regarding the fact that there are some unnecessary and luxurious expenses and misuses in offices and other governmental organizations, controlling and supervising the performances of the governmental foundations seems to be an inevitable resolution. Regarding the importance of supervision we should insert that an organization not supervised will end in weakness and destruction gradually and finally it will decay from inside and then its crust will be damaged and even it will be destroyed. On the contrary an organization which is supervised will remove its defects automatically if there is any weakness (Foroohi&Bozanjani, 2006). Thus, in recent decades and along with the expansions of the organizations and their complicatedness in relations and due to the technological advances and also the necessity of optimal use of the limited resources the need for auditing is felt more seriously. In recent years, the focus of attentions by most auditors in governmental and non-governmental parts has changed. The needs of the management for information in order to lead the operations and analyzing the related results have increased significantly in a way that the financial statements' information is not enough to respond to these needs. The management in private and governmental units both search for information which can be used to make judgments about the quality of the operations carried out and can enhance them. Thus, several questions were raised by financial auditors and managers such as: generally speaking why should we have financial incidents? Is there a better way to do that or not? (Afshari&Sadatsalmasi, 2009). Thus, there is a need felt for having a new type of auditing entitled the operational auditing. According to the definition posed by the public sector auditors in Pakistan (1994) the operational auditing is the independent assessment to identify the amount of

resources' management based on three elements of efficacy, effectiveness and economic advantage and following the rules and regulations and the useful methods (Iman, Zare, 2012). In Iran, and according to the acts approved in operational auditing committee of the audit organization, operational auditing is the regular and methodological process of effectiveness, efficacy and economic advantage of the operations of an organization and the reporting of assessment results along with the practical suggestions for the beneficiaries to improve the operations (the approved acts of operational auditing committee, 2001). The main goal of operational auditing is to express opinions about the efficacy, effectiveness and economic advantage. Thus, regarding the main research question which is trying to find a solution for a better performance by the budget, the following hypotheses are suggested:

First Hypothesis: The operational auditing will cause the administration of the approved budget regarding the budget rule acts in insurance company in Tabriz.

Second Hypothesis: The operational auditing will result in realization of the absolute income figures in insurance company in Tabriz.

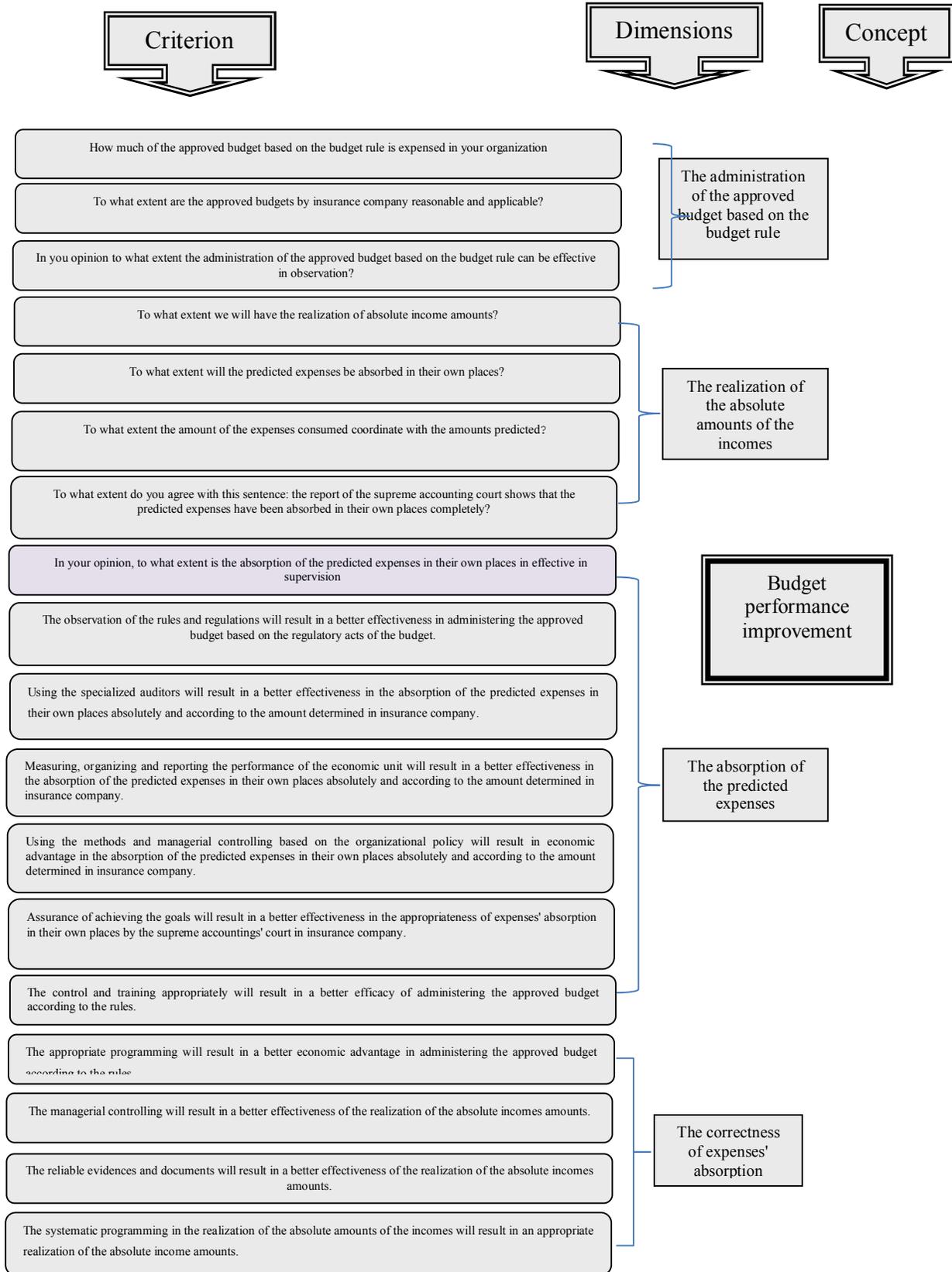
Third Hypothesis: The operational auditing will result in the absorption of the predicted costs in their own places absolutely and according to the predetermined credit amount in insurance company in Tabriz.

Fourth Hypothesis: The operational auditing will result in the appropriateness of the absorption of the costs in their own places by the supreme accounting court in insurance company in Tabriz.

The Statistical Population and Data Analysis Method

The statistical population for the present research includes all staffs and financial managers in insurance company in Tabriz. According to the data received the number of these people were 50 during the time period when our research was being carried out. This research didn't have any sampling and all the people in this company were considered as respondents. Also we used the descriptive and inferential statistical methods to analyze the data. Thus, first we described the responses and then we used the inferential statistics in order to test the hypotheses. For example, t test has been utilized to calculate the average differences between the questions and Z test.

The Operational Description of the Variables



6. Research Findings

6-1. The descriptive Statistics

The descriptive statistics collected by the present research administration have been included in the following tables. In table (1), we have described

the individuals in our statistical sample and in table (2) we have dealt with the responses presented by these people.

Table 1: The descriptive statistics of the statistic sample individuals

More than 20 years of work experience	Work experience between 10 and 20 years	Work experience between 5 and 10 years	Less than 5 years of work experience	MSc and higher	BSC	Diploma and less	Female	Male	Statistics
9	12	8	13	2	13	27	8	34	Frequency
20.8	28.6	20.8	29.9	2.6	31.2	66.2	18.2	81.8	Percent
20.8	28.6	20.8	29.9	2.6	31.2	66.2	18.2	81.8	Valid Percent
100.0	79.2	50.6	29.9	100.0	97.4	66.2	100.0	81.8	Cumulative Percent

Table 2: The descriptive statistics of the statistic sample individuals

Standard error average	Criterion deviation	Average	NO.	Statistics
.08018	.70358	3.5065	42	The administration of the approved budget according to budget rules
.06063	.80571	4.6461	42	Cause the realization of the absolute income amounts
.08029	.70450	3.4123	42	The absorption of the predicted expenses in their own places absolutely and at the same amount of validity as approved
.08063	.70751	3.6461	42	The correctness of the absorption of expenses in their own places by the supreme accounting court

Table 3: The results of testing the first hypothesis

Dependent variable	T	df	Meaningfulness level	Average difference	The assurance interval of the difference between the averages of the two groups	
					Low	High
The administration of the approved budget based on the budget rule	6.317	76	.000	.50649	.3468	.6662

Table 4: The results of testing the Second hypothesis

Dependent variable	T	df	Meaningfulness level	Average difference	The assurance interval of the difference between the averages of the two groups	
					Low	High
will result in realization of the absolute income figures	1.977	76	.032	.14286	-.0010	.2868

Table 5: The results of testing the Third hypothesis

Dependent variable	T	df	Meaningfulness level	Average difference	The assurance interval of the difference between the averages of the two groups	
					Low	High
will result in the absorption of the predicted costs in their own places absolutely and according to the predetermined credit amount	5.136	76	.012	.41234	.2524	.5722

Table 6: The results of testing the Fourth hypothesis

Dependent variable	T	df	Meaningfulness level	Average difference	The assurance interval of the difference between the averages of the two groups	
					Low	Dependent variable
will result in the appropriateness of the absorption of the costs in their own places by the supreme accounting court	8.013	76	.008	.64610	.4855	.8067

6-2- The experimental Results

The results of the first hypothesis in table (3) show that by calculating the average difference of .50649 and the meaningfulness level of (0.000) which is less than .05, the H_0 is rejected and our null hypothesis is approved which states that the operational auditing can cause the administration of the approved budget based on the budget rule in insurance company in Tabriz and it is accepted. The results of the second hypothesis in table (4) show that regarding the average difference of .14286 and meaningfulness level of (0.032) which is less than 0.05, our H_0 is rejected and our null hypothesis is approved which states that the operational auditing can cause the realization of the absolute amounts of incomes in insurance company in Tabriz and it is accepted. The results of the third hypothesis in table (5) show that regarding the average difference of 0.14234 and meaningfulness level of (0.012) which is less than .05, our H_0 is rejected and our null hypothesis is approved which states that the operational auditing can cause the absorption of the predicted expenses in their own places absolutely and regarding the amount predetermined in insurance company in Tabriz and it is accepted. The results of the fourth hypothesis in table (6) show that regarding the average difference of .64610 and meaningfulness level of (0.008) which is less than .05, our H_0 is rejected and our null hypothesis is approved which states that the operational auditing can cause the appropriate absorption of the predicted expenses in their own places in insurance company in Tabriz and it is accepted.

Conclusion and suggestions

The operational auditing entails the systematic study of the activities carried out by an organization or a specific part of it to achieve certain goals. The overall goals of performance auditing includes: a) the assessment of performance compared to the goals identified by the management or other appropriate measurement criteria b) the identification of the operation improvement opportunities regarding economic advantage and efficacy and effectiveness

and c) the presentation of suggestions for operations' improvement or doing something for more supervision. The studying and testing the management controls is also considered as one of the administration steps of performance in auditing in which the main goal is to identify the absolute accounting goal and the reliability of the evidences and internal proofs of units. Regarding the descriptions above, the main goal of the operational auditing is to clarify the concepts of efficacy, effectiveness and economic advantage. Thus, in the present research we tried to answer this question: "What type of relationship is there between operational auditing and budget performance improvement in insurance company in Tabriz?"

Thus, the budget performance improvement was identified by the supreme accounting court in four dimensions as follows: the administration of the approved budget based on the budget rule, the receipt of the absolute amounts of the incomes, the absorption of the predicted expenses in their own places absolutely and according to the credit determined, and the appropriateness of the absorption of expenses in their own places. Most respondents believed that when the operational auditing is carried out, the organization will be forced to spend the approved budget based on the budget rule in insurance company in Tabriz. Thus, to accomplish this goal the respondents the followings are suggested: observing the rules and regulations in order to administer the approved budget based on rules better, the appropriate management and training of the staffs related to the administration of the approved budget in order to achieve a better administrative efficiency of the approved budget according to the rules, and programming correctly and appropriately in order to make economic benefits in administering the approved budget based on the budget rules. The respondents believed that the administration of auditing in insurance company in Tabriz will result in a better realization of the absolute income amounts in order to administer the organization's programs better. Probably the reason is

correctness of different working programs and also the lack of changing the organization managers continuously that the respondents believe so. Thus, to administer this hypothesis it is suggested to have more managerial controls in order to make the receipt of the absolute amounts of incomes more effective, reliable documents and evidences for efficiency should be given to the organizations in order to receive the absolute amounts of the incomes, and there should be systematic programming for appropriate economic advantages to receive the absolute amounts of incomes.

Most respondents believed that if there is an operational auditing in an organization, most predicted expenses will be carried out absolutely and in their own places. Thus, it is suggested that in order to administer this job better and more accurately, the specialized auditors should be employed for a better effectiveness of the work to be done, measurement, arrangement and reporting of the performances of the economic unit should be done to have a better efficiency in absorbing the predicted expenses in their own places and absolutely and according to the approved amount, and also those managerial controls and methods should be used which are based on the organizational policy in order to make economic benefits in the absorption of the predicted expenses in insurance company in Tabriz. The respondents firmly believed that if the operational auditing is applied in this organization, the expenses would be absorbed appropriately in their own places by the supreme accounting court in insurance company in Tabriz. Thus, in order to administer this more often it is suggested that the achievement of the goals should be guaranteed more in order to have a better

effectiveness in the appropriateness of the absorption of the expenses in their own places by the supreme accounting court, the resources should be preserved against misuse and wastes in order to have a better efficiency and programming, leadership and controlling the operations should be done in order to get economic advantages in the appropriateness of the absorption of the expenses in their own places by the supreme accounting court in insurance company in Tabriz.

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