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DEVELOPING A MECHANISM FOR AUDITING MUNICIPAL PROPERTY (LAND) ON THE BASIS OF INTERNATIONAL AUDITING STANDARDS AND INTOSAI INTERNATIONAL STANDARDS

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ABSTRACT

The research aims to prepare a proposed program in accordance with international auditing standards and INTOSAI standards and based on the laws, regulations and instructions in force that the auditor should take into account when auditing municipal lands to contribute to improving the process of auditing municipal lands and assisting the auditors in completing audit procedures with high flow. Achieving audit objectives efficiently and effectively And it will be reflected in giving an opinion on the fairness of the financial statements of municipal institutions, and the research concluded that the program of the Federal Financial Supervision Bureau approved to audit the activities of municipalities did not include detailed audit procedures for municipal lands and did not take into account international auditing standards and INTOSAI standards, so the researchers recommend the need to .adopt the program proposed

Keywords :

Developing an audit mechanism, properties, lands, municipalities, international auditing standards, INTOSAI international standards

INTRODUCTION

There are many lands owned by the municipalities spread throughout the governorates of Iraq, which were divided into lands classified as fixed assets, lands classified as stock for the purpose of sale, and lands classified as investment properties.

Hence, we find great importance in strengthening the control and auditing processes on the lands belonging to the municipalities in order to exploit them in an optimal manner and to eliminate cases of manipulation of the establishment of these lands, whether they are considered as a fixed asset or as a stock of lands for the purpose of sale or investment lands, in addition to measuring and properly disclosing lands in the financial

statements. The proposed audit procedures represent the minimum required to be done from the steps that must be followed by the auditor to carry out the examination and audit process, and the program can be developed to respond to changes in laws, regulations, instructions in force and international auditing standards , and for the purpose of achieving the objectives of the research was divided into research methodology, theoretical side, practical side, Conclusions and recommendations.

**FIRST: RESEARCH
METHODOLOGY**

Research Problem: The municipalities own lands, some of them for the purpose of selling, some for the purpose of investment, and others for the purpose of use, so a specialized accounting system

was organized for the activity of the municipalities. However, problems appeared in the measurement and disclosure of these lands, so the research problem lies in the absence of a program to audit municipal lands in accordance with international auditing standards and INTOSAI standards.

Importance of the Research: The importance of the research lies in proposing a municipal lands audit program that can be used. The Federal Office of Financial Supervision, including what is reflected in the opinion, whether the statements are expressed fairly or financial vice versa.

Research Objectives: To identify international auditing standards and INTOSAI standards, and then propose a program to audit municipal lands (fixed assets, stock of land for sale, investment lands) that takes into account those standards as well as local laws and instructions.

Research Hypothesis: The research is based on the hypothesis that proposing a program to audit municipal lands (fixed assets, stock for sale, investment lands) based on International auditing standards and INTOSAI standards as well as requirements. Laws and instructions contribute to expressing an opinion on the

fairness of the financial statements of those municipalities.

SECONDLY: THE THEORETICAL SIDE

Auditing Municipality Lands According to the International Auditing Standards

1. Concept, Importance and Objectives of Audit

a. Audit Concept

Auditing is “ the process of collecting and evaluating evidence on information to determine the extent of conformity with previously established standards and reporting on it. The review must be performed by a qualified, competent and independent person .” (1)

Audit was also defined as “an organized and systematic process of collecting and evaluating objective evidence and evidence related to the results of activities, operations and economic events, for the purpose of determining the extent of compatibility and conformity between those results and the established standards and informing all the beneficiaries of the audit results.” (2)

External auditing is one of the most important activities that contribute to achieving reliable financial information, which results from the auditor collecting evidence and evidence and expressing an

impartial opinion on the extent to which the financial statements express the financial position of the economic unit and the results of its work. (3)

The audit in general, internal and external, is one of the most important processes used to evaluate the internal control system of the economic unit and alerts primarily to existing defects and possibilities for improvement. The auditor has the right to review all documents and records necessary to perform his work and provide the management of the economic unit and other beneficiaries with the results of the audit. (4)

b. The Importance of Auditing

The importance of the external audit is clear through the role it plays in ensuring the integrity of the financial statements, as the external audit plays an important role in giving credibility to the published financial statements that stakeholders use as a basis for making decisions. (5)

The importance of external audit is as follows: (6)

- ✓ The external audit is a tool for measuring the financial performance of the institution
- ✓ The external auditor has his own report, which serves as a means of putting pressure on the administration or the economic unit

in order to improve the level of business performance

- ✓ The external audit can be considered as a fundamental and essential factor that has the ability to provide credibility to the information that has been reported or obtained through evaluating the effectiveness of the internal control system

c. Audit Objectives

The basic objectives of the external audit that the auditor seeks to achieve when performing his work, which are represented in the following: (7)

- Existence: The auditor seeks to ascertain the extent of the physical and tangible existence of the assets
- Ownership: Verifying the ownership of assets, despite the fact that possession may be a basic evidence of ownership of some assets, but the auditor adopts some procedures to verify its ownership of the economic unit
- Independence related to the financial period: Verification of procedures and activities that have been appropriately allocated between financial periods
- Evaluation: Verifying the validity of the evaluation and that it was

carried out according to the generally accepted accounting principles

- **Comprehensiveness:** The main objective that the external auditor seeks to achieve is mainly related to the process of verifying that the financial operations recorded in the records during the period clearly and properly reflect the change in resources and obligations of the economic unit during the specified period
- **Disclosure:** It is represented by the auditor making sure that the disclosure of the components and elements of the financial statements is completed according to what is found within the generally accepted accounting principles

as such There is another set of objectives that the external audit profession seeks to : provide (8)

- Expressing a neutral technical opinion on the extent of the honesty and fairness of the financial statements' expression of the financial position and the results of the activity of the economic unit, and the extent of commitment to generally accepted and accepted accounting principles

- Providing lenders and investors with financial statements approved by the external auditors to make their decisions
- Reassure the shareholders and owners of the economic unit on the safety of the use of the invested funds and the efficiency of the management
- Providing government institutions with financial data and reports on the economic unit for adoption in planning, control and tax collection

2. The Basic Criteria I for External Audit

The auditing standards are to express a set of personal and professional qualities that the external auditor must have, and also express the standards necessary for the audit process to obtain a sufficient amount of evidence and evidence by which he can express his opinion on the financial statements. . (9)

The audit criteria can be divided into three main groups (general criteria, criteria for field work, criteria for preparing the (report

3. Internal Audit

Internal audit is defined as an independent and objective activity aimed at providing

various assurance and advisory services Adding value and improving the operations of the organization, as well as helping the organization to achieve its objectives by adopting a systematic approach in evaluating and improving the effectiveness of the control, risk management and governance processes. (11)

And that the internal auditors are employees working for the various facilities, and their job affiliation with these facilities is based on studying and evaluating the efficiency and effectiveness of the operations centers and the various activities in the facility to reach a judgment as to whether these centers achieve their goals effectively and use the facility's resources efficiently and provide the management with the necessary reports to determine the Strengths and weaknesses and how to address them The function of the internal auditor is considered independent within the organization's organizational structure. (12)

The objectives of the internal audit are to provide assurance on the following: (13)
Extent of compliance with applicable laws, regulations and instructions
The efficiency and effectiveness of the exploitation of the enterprise's resources

The integrity of the procedures followed to implement the programs and plans .established

It should be noted the need for integration between internal audit and external audit, which means "cooperation and coordination between the internal auditor and the external auditor during the implementation of control and audit work in a way that ensures comprehensive coverage of the facility's activities and reduces duplication of efforts in order to achieve audit objectives in general and (benefit the institution." (14)

The importance of integration between internal audit and external audit is represented in several aspects, the most important of which are: (15)

- a. The external auditor obtains reassurance about the accuracy and effectiveness of the internal control system, and the integrity of the internal .audit procedures
- b. Reducing the time and effort of the external audit task, as confidence in the internal control system leads to less time to carry out the task of the .external audit and a reduction in effort
- c. Comprehensive assessment of audit risk and thus proper planning of the audit process and determining the nature, timing and audit procedures to .be carried out

4. Concept of Municipalities

The Municipal Administration Law implicitly indicated that municipalities are local institutions that have a legal personality and that carry out a set of public works and services within what is stipulated in the framework of the Municipal Administration Law or any other law, as the main objective of them is to provide services and perform public duties at the best A face within a specific geographic area. (16)

The municipality was also defined as an administrative unit that enjoys legal personality and financial independence and aims to implement the interests of the local community in light of the powers granted to it in the light of laws, and it is responsible for providing all services that fall under its responsibility to taxpayers and within the geographical scope of the municipality. (17)

Municipalities are the institutions responsible for providing good local government, protecting the environment, providing services, facilities or other things related to the well-being of citizens, developing and maintaining safe and viable communities, working collaboratively with neighboring municipalities to plan and fund municipal services. (18)

5. The Concept of Land and Its Types in Municipalities

a. Territory Concept

Land is a long-term asset that has a special character that distinguishes it from other assets, because its useful life is usually indefinite, unlike other assets, and its productive value does not decrease over time, with the exception of agricultural lands in cases of soil erosion and low fertility; Therefore, the lands appear in the financial statements without subjecting them to extinction. (19)

Land is considered one of the fixed assets that is characterized by not having a default life, unlike other assets that have a default life, which requires accounting not to calculate depreciation, as economic units use land as a site, meaning that a group of factories, stores or offices can be built on it, and it includes costs Lands usually (the cost of purchasing the land, costs related to the transfer of ownership, including the costs of documenting the ownership contract, attorney fees and commissions related to sales brokers). (20)

The municipalities scattered throughout the governorates of Iraq own many plots of land and are considered among the most important

assets owned by municipal institutions and constitute the largest part of the total assets, and contribute to generating revenues. The lands were divided into: lands classified as fixed assets such as (agricultural lands, lands of gardens and parks, lands Nurseries, building lands, commercial lands), lands classified as stock for sale, and lands classified as investment properties. (21)

b. Types of Land in Municipalities

✓ **Lands Classified as Fixed Assets**

It means the lands that the economic unit acquires for the purpose of using them in the production or providing goods or services, and there is no intention to sell them within the normal activity of the economic unit, and that these assets provide the infrastructure for the unit to continue its revenue-generating activities. (22)

It often constitute a large part of the total assets of an economic unit, and therefore are important in presenting the financial position. Moreover, determining whether expenditures or expenses can have a assets represent material impact on the reported results of operations of the unit, as the financial statements reveal some information about fixed assets in many economic

units and these assets are grouped into different categories, such as land, buildings, machinery, vehicles, furniture and fixtures. (23)

The lands that are classified as fixed assets characterized by the inability to transform into cash , it is not likely to be converted into cash during the financial year. These assets are not acquired for resale within the normal activity of the economic unit , but rather they are kept for practicing the activity for a period of more than one fiscal year to produce goods or provide services to the economic unit .(24)

There is a set of characteristics and conditions that must be met for the recognition of lands as fixed assets, as follows : (25)

- The existence of economic benefits from assets as a result of past events, and this means that rights that arise in the future and are not under the control of the economic unit at the present time cannot be .considered assets
- These rights must be accrued to a specific economic unit, meaning that the economic unit has the right .to control an asset
- The existence of certain rights over future benefits, but the expired rights are not considered assets, in

addition to the fact that these assets .generate positive benefits

- That the economic unit owns its assets and legally supports them, to ensure the receipt of future benefits, and no other economic unit or the government can obtain them .without a fair consideration

✓ **Lands Classified as Stock for Sale**

Inventory consists of a set of tangible items that are owned by the enterprise and that are acquired for resale through the normal activity of the economic unit or that are in the production stage in order to complete their manufacture for the purpose of selling or those that are consumed at the appropriate time in order to produce Goods and services that will be available for sale. (26)

The commodity inventory is one of the most important current assets, and this, in turn, requires accurate and appropriate measurements for its impact on the profits achieved by the economic unit, its financial position and business results, and therefore any error or bias in the evaluation process will affect the total assets, which in turn affects property rights, as well as his important impact on the cost of goods sold because of its impact on the validity of the profits achieved. The elements of the commodity inventory differ from

one economic unit to another depending on the nature of the economic activity that it exercises, as the components of the commodity inventory in companies or commercial organizations are completely different from agricultural or industrial organizations. (27)

✓ **Lands Classified as Investment Properties**

I knew “ Accounting Rule No. 14” Investment as one of the assets held by an economic unit for the purpose of increasing its resources or for the purpose of developing wealth through what it obtains from distributions (in the form of interests or returns from concession rights or from dividends or rental income) or for the purpose of raising Its capital value or for the purpose of obtaining other benefits similar to those obtained through business. (28)

The investment of land is one of the most important types of real estate investments and achieves an important economic return for the investor with low risks associated with this investment . (29)

Most researchers emphasized the importance of land investment, as experts agreed that there is no such thing as the failure of real estate investments, including land, and the

main reason is the need for housing, which is not a product of this day, but rather exists and exists mainly and permanently. (30)

Land investment is considered one of the most important types of investments in the twenty-first century and many investors have turned to this type because of its high returns and low risks. (31)

It is considered The geographical location of the land is one of the most important factors affecting the price of the land, as the investor focuses on the location of the land before deciding to invest in it and the availability of basic infrastructure and according to the type of investment, whether it is for the establishment of residential complexes or commercial, industrial or agricultural areas. (32)

Investors in land and real estate are always looking for a safe environment for capital investment, and a safe environment requires political and economic stability and the existence of sound and stable monetary policies before deciding to invest in the real estate field because of the huge money required in this area and is exposed to high risks in the absence of a safe environment for this type of investment. (33)

6. INTOSAI (International Organization of Supreme Audit Institutions)

INTOSAI is the international organization of supreme oversight bodies and accountability in countries belonging to the United Nations or to its specialized agencies. This organization was established in 1953 when representatives of 34 oversight bodies met at the first conference in Cuba, and the number of member states increased to 194 full members and five members Participants, headquartered in Austria, and Iraq is one of the members of this organization, and INTOSAI is a self-governing organization, independent, professional and non-political, established to provide mutual support and encourage the exchange of experiences, opinions and knowledge, to act as a recognized voice for the oversight bodies within the international community, and to support improvement Continuing with a variety of supervisory bodies that are members of the organization, and the supervisory bodies play a key role in the control of accounts, government operations and activities, monitor financial behavior and promote comprehensive accountability in their affiliated governments. This organization is responsible for issuing international auditing standards and INTOSAI standards. (34)

The following table shows the most important international auditing standards and INTOSAI standards that were used as

a guide in preparing the proposed program .for land audits of municipal institutions

T	The subject of the standard	Numbers with Air	
		International audit guided	Standard numbers INTOSAI International Guided
1	Observe laws and regulations when auditing financial statements	250	1250
2	Identify and assess the risks of material error by understanding the nature of the facility and its environment	315	1315
3	Initial audits - opening balances	510	1510
4	Analytical procedures	520	1520
5	Auditing accounting estimates, including fair value accounting estimates and related disclosures	540	1540
6	Later events	560	1560
7	Written declarations	580	1580
8	Use the work of an expert auditor	620	1620
9	Comparative information - corresponding figures and comparative financial statements	710	1710

THIRD: THE PRACTICAL ASPECT

Developing a Mechanism for Checking Property (Land) in Municipalities:

Before starting the process of preparing the proposed audit mechanism for the land audit , the following matters should be taken care of

1. See the laws, regulations and instructions in force for the work of municipalities
2. Understand the nature of the municipality's work and activities, and

organizational factors, including the framework for preparing financial reports

3. Studying the unified accounting system for municipalities and the extent of commitment to .implement it by the municipality
4. Studying the internal control system, the organizational structure and the municipality's internal system, and reviewing the financial and administrative powers of the municipality's director and .department managers
5. Examining the permanent file and its contents of the final accounts for

the past year, management decisions, long-term contracts, loans

6. Determining the goals that we seek to achieve from each step of the audit program, as the audit procedures are not the end in themselves but rather a means to achieve a specific goal

7. Determining the audit procedures that enable the auditor to collect sufficient and appropriate evidence to achieve the objective of the audit

Preparing the proposed program to audit municipal lands

A proposed audit program has been prepared based on the applicable laws, regulations and instructions, international auditing standards, INTOSAI standards, and international accounting and financial reporting standards. The effective regulations and instructions, international auditing standards and financial reporting standards, and the program includes the following paragraphs

1. General Procedure

a. Request a record of the municipal administration's meetings, review important decisions taken, such as decisions to sell land, allocate it to the covered groups, or invest it, and follow

up on the legal integrity of those decisions

b. Request a disclosure of the lawsuits filed by the municipality against others regarding cases of encroachment on the lands belonging to the municipality or cases of forgery in the title deeds and to verify the adequacy of the municipality's procedures in this regard

c. Requesting the monthly, quarterly or annual internal audit reports regarding the municipality's lands, following up on the observations made in their regard and whether they have been processed, and verifying the soundness of the procedures taken in addressing the observations

2. Opening Balances

a. Obtain appropriate and sufficient audit evidence as to whether the opening balances of the land account are sound and do not contain errors that materially affect the municipality's financial statements, through the following

First: Ensure that the balances of the previous period are carried over to the current period correctly

Second: Ensuring that the opening balances reflect the application of appropriate accounting policies

Third: Ensure that lands are classified as fixed assets, lands stock for sale, or investment lands

b. Verify the status of the amendment of the opening balances of the land account, study the reasons for the amendment, and ensure the soundness of those amendments from an accounting point of view

3. Fixed Assets (Lands)

a. Request a list of lands belonging to the municipality that are used for the purpose of carrying out its natural activity and classified according to their uses such as agricultural lands (gardens, parks and nurseries), building lands, commercial, sanitary landfills, space, and the list shows the area of those lands, their geographical location, their value, and the real estate registration number

b. Ensure that all lands belonging to the municipality and used to carry out the natural activities of the municipality are recorded in the register of fixed assets (land) according to each type, and that the registration and amendment thereof is done correctly

c. Ensuring the correctness of the registration of additions and exclusions made on lands in the register of fixed assets and according to each type, supported by all the required priorities

d. Requesting the annual inventory lists of lands according to each type as on December 31 and matching them with the relevant records that were made by the inventory committees in the municipality and studying them and noting the differences, if any, and how they were addressed, and studying any other observations that were referred to by the inventory or conformity committees

e. A request for a list of cases of encroachment on the lands of the municipality, indicating the type of transgression, the name of the transgressing party, the period of encroachment, and a statement of the municipality's procedures regarding the removal of such abuses, and a study of the safety of the municipality's procedures regarding them

f. Ensuring the implementation of the procedures of the (dissolved) Revolutionary Command Council Resolution No. 154 of 2001 regarding the removal of abuses on state and municipal real estate through the following

First: Forming a committee by the municipality to remove cases of encroachment on its property and to collect costs from the transgressor

Second: In the event that it is not possible to remove the bypass by the

municipality, it must notify the .governor to remove the bypass

Third: Initiating a criminal case against the violator of the municipality's property in accordance with Clause (First) of the Code of .Criminal Procedure No. (23) of 1971

g. Verify the registration of all lands belonging to the municipality in the Real Estate Registration Department and disclose any lands that have not been registered, and what are the .reasons for not being registered, if any

h. Verify cases of conflict over land ownership between the municipality and other parties, and verify the municipality's procedures and the .extent of their legal integrity

i. Verify the cases of mortgaging the lands belonging to the municipality and study the reasons for the mortgage, whether it was carried out in accordance with the powers granted and the extent to which it is compatible with the laws, .regulations and instructions

j. Verify the integrity of the procedures for keeping the ownership documents and records of the lands .belonging to the municipality

k. Carrying out field visits to a sample of the lands belonging to the municipality to verify the safety of those who have used it in the exercise of the natural municipal activities and

according to the type of land, for example, gardens, parks, nurseries, .building or commercial

l. Verify the lands of the sanitary landfill and the intermediate stations of waste and the extent of the safety of choosing their areas far from the population centers, and verify the availability of health and environmental .standards in those lands

m. Verification of the use of the re-evaluation form for lands classified as fixed assets, as there is no cost of lands due to the municipality obtaining them under Law No. (80) of 1970 (amended) Ownership of princely lands within the boundaries of the municipality to the .administrative units (municipalities)

n. Verifying that the municipality uses a qualified independent assessor who has experience in the field of land evaluation, and verifying that the area, location and available infrastructure are .taken into consideration

o. Ensure that the lands are re-evaluated annually in the event of a substantial and significant difference between the fair value of the lands and their book value, but if the difference between the two values is not significant, the re-evaluation is carried .out every three to five years

p. Ensure that the revaluation surplus is presented separately in the statement

of financial position within equity, while the revaluation losses are closed in the profit and loss account

q. Verify that the value of the land is separated from the value of the building on which it is built and that the lands are registered according to their type in the relevant records and accounted for separately

r. Ensure that the municipal administration discloses the effective date of the re-evaluation, and whether a qualified independent evaluator and expert in the field of land appraisal has been used

s. In the event of doubt about the integrity of the accounting estimates for land, the work of an individual or institution that has experience in the field of land valuation should be used to help obtain sufficient and appropriate audit evidence to verify the validity of these estimates

t. Ensuring the integrity of the comparative information for the land account and its agreement with the values and other disclosures for the previous period

4. Land Stock for Sale

a. Request for a list of the land inventory for sale owned by the municipality and classified into land stock for selling at commercial prices

and land stock for sale at discounted prices. The statement shows the plot number, area, value, and geographical location

b. Ensuring the use of the collection value model to evaluate the stock of land for the purpose of selling at commercial prices, as there is no cost of land due to the municipality obtaining it under Law No. (80) for the year 1970 (amended) Owing the princely lands within the municipal boundaries to the administrative units (municipalities), as for the stock of land for the purpose of Sale at discounted prices is evaluated according to the laws and instructions in force

c. Verifying that the municipality uses a qualified independent assessor who has experience in evaluating the stock of land for the purpose of selling at commercial prices, and verifying that the land area, location, commercial features and available infrastructure are taken into consideration

d. Verify that all plots of land designated for sale, whether at commercial or reduced prices, and classified as land stock for sale, are recorded in the records

e. Verifying the correctness and safety of the additions to the land stock for the purpose of sale, as well as verifying the validity and safety of the

sales operations for that stock, according to each type, supported by all the required priorities

f. Verify the cases of transfer from the land stock for the purpose of selling at commercial prices to the land stock for the purpose of selling at reduced prices, and what are the reasons for that transfer, and whether it was done in accordance with the powers granted to the municipality and within the laws and instructions in force

g. Request the annual inventory lists for the stock of lands for sale, according to each type, as on December 31, and matching them with the relevant records that were made by the inventory committees in the municipality, studying them and noting the differences, if any, and how they were addressed, and studying any other observations that were referred to by the inventory committees or matching

h. A request for a list of cases of infringement on plots of land classified as stock of land for sale, the type of transgression, the name of the bypassing party and the period of override, and what are the municipality's procedures regarding the removal of such abuses, a study of the safety and adequacy of the municipality's procedures regarding them, and ensuring the application of

what was stated in the decision of the Revolutionary Command Council (dissolved) No. 154 of 2001 referred to previously

i. Verify that the municipality has sent a request to the real estate registration department to ensure that there are no cases of seizure or forgery of real estate bonds and the acquisition of plots of land held by the municipality as land stock for the purpose of sale

j. Verify cases of conflict over land ownership between the municipality and other parties, and verify the municipality's procedures and their adequacy and safety from a legal point of view

k. Ensure that, in the event of selling land through public auction, the following must be adhered to

First: Obtaining the approval of the Minister (or whoever he authorizes) on the sale decision.

Second: Forming an assessment committee from three experienced members, one of whom is an accounting employee, whose title is no less than a manager or chief observer, and they have a job service of no less than ten years.

Third: Prepare a list of the lands to be sold and specify their location, area and commercial features.

Fourth: Estimating the selling price by agreement or by the majority, with the organization of minutes to that effect.

Fifth: Verifying the advertisement in a daily newspaper, mentioning all the details of the lands to be sold, and affixing the advertisement to the municipality's notice board. The municipality has the right to publish the advertisement by other means, as appropriate.

Sixth: The bidding procedure is carried out within the municipality's boundaries.

Seventh: Obtaining guarantees from the participants in the auction not less than (20%) of the estimated value of the land.

Eighth: If the bid price does not reach the estimated value, the bidding period shall be extended for (15) days.

Ninth: If the second bid does not reach (80%) of the assessed value of the land, the assessment shall be re-estimated by a new assessment committee.

1. Ensure that in the event of selling the stock of land to the municipality in accordance with Article 25/Third of the Law of Sale and Lease of State Funds No. 21 of 2013 (amended), the following shall be adhered to

First: Obtaining the approval of the Minister

Second: The land is intended for housing

Third: The sale price is real, based on the assessment of a specialized committee and without public auction

Fourth: That the applicant is an Iraqi who neither he nor his wife or his minor children own a house or an apartment independently, and they have not obtained a land or housing unit from the state

m. Ensure that the buyer pays the sale price as follows

First: Ensure that the buyer pays the entire sale price within a period of days from the referral (30)

Second: The Minister (or whoever he authorizes) may agree to pay the amount in installments as follows:

- Half of the sale price plus all expenses within (30) days from the date of referral

- The rest of the allowance is in installments not exceeding (5) installments and the last installment does not extend to (3) years from the date of assignment

Third: Putting the precautionary seizure sign in the real estate registration department until full payment of the sale price.

n. Verify the integrity of the procedures for distributing plots of land to employees and citizens (at reduced prices) and ensure the following

First: Verify the formation of specialized committees that handle the process of receiving the requests for the covered segments and allocating plots of land.

Second: Verify the number, locations and areas of the distributed plots of land and that they are within the land stock for the purpose of selling at reduced prices.

Third: Examining and checking the files of the beneficiaries of the allocation of plots of land at reduced prices and that they meet all legal requirements, including submitting an application for allocating a plot of land, obtaining fundamental approvals, examining the name of the applicant for not benefiting from his and his former spouse from the allocation of plots of land, and endorsement from his department in the event that the beneficiary is a proven government employee. It includes the period of his service with verification of the correctness of calculating competition points for obtaining land, with all required official documents attached.

Fourth: Verify that all formal and legal requirements regarding the

registration of plots of land in the names of beneficiaries in the Real Estate Registration Department are completed.

Fifth: Verify that all the fees and land sale allowances are collected from the beneficiaries

Sixth: Ensure that the names of the beneficiaries and their spouses are recorded in the municipal property calculator to ensure that they do not receive plots of land in the future at reduced prices

o. Ensure the disclosure of the accounting policies used in measuring land stock for sale, the amount of any reduction in stock value, and the amount of land stock pledged to secure obligations

p. Ensuring the integrity of the comparative information for calculating the stock of land for sale and that it is consistent with the values and disclosures for the previous period, and making sure that the accounting policies reflected in the comparative information are consistent with those applied in the current period, and in the event of changes in accounting policies, ascertain whether those changes were accounted for properly. Appropriate presentation and adequate disclosure

q. Performing some analytical procedures near the end of the audit process to help form conclusions about

whether the land account balances recorded in the financial statements are consistent with the auditor's understanding of the municipality's activity through the following procedures:

First: Comparing the land sales account during the year with the land stock for the purpose of sale to find out the amount of decrease or increase in the stock

Second: Comparing the land revenues for the purpose of selling for the current year with the previous year to determine the reasons for the increase and decrease in those revenues

5. Investment Real Estate (Investment Land)

- a. Request a list of the invested lands (leased to others) and classified according to their uses, such as agricultural investment lands (gardens, parks and nurseries), parking lots, car sales yards, fruit and vegetable sales, livestock and fish, and the statement shows the number of the plot of land, its area, its value, Geographical location, lease term, rent amount, tenant name
- b. Ensuring that the rental process was carried out in accordance with the Law of Sale and Rent of State Funds No. (21) of 2013 (amended), and as follows

First: The rent was made with the approval of the Minister (or whoever authorized him).

Second: Forming an assessment committee from three experienced members, one of whom is an accounting employee, whose title is no less than a manager or chief observer, and they have a job service of no less than ten years

Third: Prepare a list of the lands to be leased and specify their location, area and commercial advantages

Fourth: Estimating the rental fee by agreement or by the majority, with the organization of minutes to that effect

Fifth: Verifying the advertisement in a daily newspaper. Estimated rent allowances that are less than (500,000) dinars are excluded from the advertisement in the newspaper. All details of the lands to be leased are mentioned in the advertisement, with the advertisement installed on the municipality notice board. The municipality has the right to publish the advertisement by other means to the extent that is possible. suitable

Sixth: The bidding procedure is carried out within the municipality's boundaries.

Seventh: Obtaining deposits from the participants in the auction not less

than (20%) of the estimated value of the rent.

Eighth: If the auction price does not reach the estimated value of the rent, the auction period will be extended for (15) days

Ninth: If the second auction does not reach (80%) of the estimated value of the rent, the assessment shall be re-estimated by a new assessment committee

c. Ensuring the integrity of the land lease contracts concluded between the municipality and third parties from a legal point of view, and verifying the fixation of the annual rent amount, the lease term, the lease payment mechanism, and the purpose of the lease

d. Verification of the lessor's payment of rent in accordance with Law No. 21 of 2013 (amended) on the sale and lease of state funds, as follows

First: Ensure (in the case of a one-year lease term) paying the rent allowance with the full expenses within a period of (30) days from the date of assignment

Second: Ensure that, in the case of installments of the annual rent, obtaining the approval of the Minister (or whoever he authorizes), provided that the amount is paid in installments as follows

- One third of the rent allowance within (30) days from the date of assignment

- The rest of the allowance is in installments not exceeding (4) installments, provided that the last installment is after (9) months from the date of assignment

Third: Ascertainment (in case the lease period is more than one year), the landlord is obliged to pay the rent allowance along with the full expenses within a period of (30) days from the date of assignment

Fourth: Ensure that, in the case of installments of the total rent amount, obtaining the approval of the Minister (or whoever he authorizes), provided that the amount is paid in installments as follows

- One third of the entire rent allowance within (30) days from the date of assignment

- The rest of the allowance is in installments not exceeding twice the number of years of the lease, provided that the last installment is paid 6 months before the end of the lease term

e. Verify that the amounts received are fixed in the relevant documents and records

f. Verify that the municipality has taken all legal measures against the

tenants who are late in paying the rent amounts or who violate the terms of the lease contract in a way that guarantees the interests of the municipality

g. Ensure that the municipality charges the late tenant to pay rent installments a fine equivalent to the delayed interest rate collected by government banks

h. Conducting field visits to a sample of the leased lands to ascertain the commitment of the lessors to the use of the lands for the purpose of the lease and which is stipulated in the contract

i. Verify the expired lease contracts and the municipality's procedures regarding them, and ensure that they are not continued to be occupied by the lessor without renewing the contract

j. Requesting annual inventory lists of the invested lands (leased and others) and according to each type as on December 31, and matching them with the relevant records that were made by the inventory committees in the municipality and studying them and noting the differences, if any, and how they were addressed, and studying any other observations that were referred to by the committees inventory or matching

k. Request for a list of the lands invested in the Musataha method. The statement shows the plot number, area,

value, geographical location, real estate registration number, investor name, Musataha period, annual rent amount, project or building to be built on the land, such as a hotel, commercial building, a game city

l. Ensuring the legal integrity of the Musataha contracts concluded between the municipality and the investors, verifying that the period of Musataha, the period of completion of construction, the amount of rent for the value of the invested land, the date on which rent payments began, and the project or building to be built on the lands are fixed

m. Verify that the municipality has implemented Article (16) of the Law No. 21 of 2013 (amended) on the sale and lease of state funds, and ascertaining the following

First: The term of the Musataha shall not exceed (25) non-renewable years, after which the constructed structures shall be transferred to the municipality without compensation.

Second: Ensure that the Musataha allowance is collected annually, provided that the allowance is reviewed every (5) years

Third: Ensure that the musataha allowance is paid by constructing the structures during the period specified in the musataha contract

Fourth: Ensure that in the event of a musatah delay in paying the annual rent allowance, obtaining the approval of the Minister (or whoever he authorizes) for an appropriate period, after which the musatah will incur a fine equivalent to the bank interest for the .rent due

Fifth: To ensure that in the event of repeated delays of the musataha in paying the rent allowance, the Minister (or whoever he authorizes) may cancel the musataha contract and assign the existing structures to the municipality .without an allowance

n. Conducting field visits to a sample of the lands invested in the Musataha method to ascertain the commitment of the investors to use the lands for the .purpose stated in the Musataha contract

o. Verification of expired musataha contracts and municipal procedures regarding them, such as converting buildings and facilities into fixed assets (land and buildings) and exploiting them by them, or investing them by renting them to the investor himself or .to a third party

p. Ensure that the fair value model is used to evaluate investment lands, as there is no real cost to those lands due to the municipality obtaining them under Law No. (80) of 1970 (amended) Ownership of princely lands located

within the municipal boundaries to the administrative units (municipalities), and ensuring that the municipality employs an evaluator Independent qualified and experienced in the field of land valuation. And to ensure that the investment lands are presented independently in the statement of .financial position

q. Ensure that the increase in the value of the investment lands is recorded in the revaluation income account, while the decrease is recorded in the revaluation losses account. The two accounts are closed in profit and .loss

r. When the use of lands is changed from or to investment lands, it must be ensured that those lands are reclassified according to the following cases, with verification that they must be at fair :value on the date of the change in use

First: In the event that the works started from the municipality and the land is used to carry out its natural activities, then it is classified on fixed .assets

Second: In the event that the municipality intends to sell certain lands, it must be classified according to the stock of lands for the purpose of .sale

Third: In the case of leasing lands to others, these lands must be classified as investment properties

s. Ensure that the rental income is disclosed in the form of tables or any other suitable form

t. Ensure that all lands invested in the Musataha method are separately disclosed in the financial statements and the statements attached to them, so that the date of the start of the Musataha, its expiry date, and the revenues associated with it, in addition to other details, are followed up

u. Ensure that the municipality, after the expiry date of the Musataha contract, records the value of constructions on buildings, while continuing to classify the value of lands on investment lands

6. Management Resolutions (Management Certificate)

a. Obtaining written acknowledgments from the municipal administration that it has fulfilled its responsibility in preparing the financial statements and that all the values of the lands recorded in the records are sound and classified into (fixed assets, stock of lands for sale, investment lands) and that the administration is responsible for the correctness of the apparent balances in order to support other relevant audit

evidence Relationship to the financial statements or the evidence specified in the financial statements

b. Obtaining written acknowledgments from the municipality administration that it revealed all cases of non-compliance with known laws, regulations and instructions, whose impact will be taken into account when preparing the financial statements

c. Ensuring the date of the written declaration should be as close as possible to the date of the auditor's report on the data and not after that, and the declarations must also be for all financial statements and the periods referred to in the auditor's report

7. Later Events

a. Verify all events related to the land account that occurred between the date of issuing the financial statements and the date of issuing the auditor's report and that require the financial statements to be amended or disclosed according to the following procedures

First: Confirmation in the case of selling lands after the date of issuing the municipal financial statements without showing those lands within the land inventory for the purpose of sale, which indicates that those lands are not included in the inventory account and requires amending the inventory

account in the municipality's financial statements

Second: Verifying the investment lands lease contracts concluded after the date of the municipality's financial statements and whose values have not been shown within the investment lands account, which indicates that the investment lands account balance shown in the financial statements is incorrect and requires amending the investment lands account in the municipality's financial statements

b. Request from the municipal administration a written acknowledgment about amending or disclosing all events related to the land account according to its type that occurred after the date of issuance of the financial statements and that the financial reporting framework requires that they be modified or disclosed

improving the process of auditing lands belonging to municipal institutions and helps the auditors to complete audit procedures with a high flow and achieve audit objectives efficiently and effectively

c. The presence of an efficient internal audit device in the municipality contributes to effectively achieving the municipality's objectives, and helps reduce the effort and time of external audit

d. There are several uses of lands in the municipalities where they are used to carry out the normal activities of the municipality or for the purpose of selling or for the purpose of investing and renting them to others, which requires tight control and oversight

e. Municipal lands are classified into lands of fixed assets, stock of lands for sale, investment lands, and they differ in the methods of measurement and accounting disclosure about them

FOURTH: CONCLUSIONS AND RECOMMENDATIONS

Recommendations

Conclusions

a. There is no integrated audit program to audit municipal lands at the Federal Financial Supervision Bureau or municipal institutions

b. municipal lands based on international auditing standards, INTOSAI standards, laws, regulations and instructions in force contributes to

a. The supervisory authorities should adopt an integrated audit program to audit the lands belonging to the municipalities

b. The need to be guided by international auditing standards when performing audit procedures, in addition to observing the applicable laws, regulations and instructions

- c. The necessity of cooperation and coordination between the internal auditor and the external auditor during the implementation of oversight and audit work to ensure comprehensive coverage of the municipality's activities in order to achieve audit objectives in .general and benefit the municipalities
- d. Separate the audit procedures for calculating lands according to their type, whether they are classified as fixed assets, stock lands for sale or investment lands , and verify the soundness of measurement and accounting disclosure.

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