In The Name Of GOD

Islamic Republic of IRAN

Country Paper of

The 10th ASOSAI Research project
Audit to Detect Fraud and Corruption:

Evaluation of the Fight against Corruption and Money laundering

(SAI Iran, December, 2014)

Contents

Chapter one:
Research Background & Methodology

1.1 Background

Over the past 3 decades, these research projects cover various audit fields, such as the environmental audit, IT audit, audit of public works, and internal audit units, etc., and have produced constructive results including Performance Audit Guidelines, Guidelines on IT Audit, Guidelines on Audit Quality Management System, Guidelines on Conducting Environmental Audit, etc. The final reports of these research projects have been sent to INTOSAI and EUROSAI by the ASOSAI Secretariat for their reference.

1.2 The 10th research project

At the 45th ASOSA GBM in March 2012, “Audit to Detect Fraud and Corruption: Evaluation of the Fight against Corruption and Money Laundering” was selected as the topic for the 10th Research Project of ASOSAI.

This topic is of significant importance at this time when Asian countries still rank low on the Corruption Perception Index. The ASOSAI Research Project on this topic will definitely help to tackle fraud and corruption more effectively and to raise greater awareness of fraud and corruption throughout the three-year in-depth research.

1.3 Project Objectives

This study aims at improving the audit capability of ASOSAI member in combating fraud, corruption and money laundering in a comprehensive way and playing a vital role in anti-corruption and anti-money laundering actions through subject study and experience exchange.

To achieve the aims described above, the project was framed by several parts, including an overall situation of corruption and money laundering; The assessment on measures taken by responsible organs; Role & mandate of SAI in fighting against corruption and money laundering, typical examples of SAIs’ in performing their duties; Measures that could be developed to enhance SAIs’ ability in combating corruption and money laundering.

1.4 Basic information of the research team

- ✧ *This section introduce the research group and other background information*

1.5 Research approach

The project’s methodological approach is a combination of theoretical research and empirical study including questionnaire design, roundtable discussion and interview with relevant agencies and individuals.

1.5.1 Documentary research

The project team began the research by assembling and reviewing key documentation and data of corruption & money laundering. The intention was to help the project team to understand the character and current status of the institution related to corruption & money laundering.

- *Information collected by SAI will be described in this part*

1.5.2 Survey & interviews

There are a number of agencies and organizations, both nationally and internationally that playing important role in dealing with corruption and money laundering, the project team identified these agencies and conducted relevant interviews.

- *Basic approach of conducting survey and interviews by SAI will be introduced in this part*

1.5.3 Case study

The research team focus on tools and approaches adopted by SAIs on the subject of corruption & money-laundering by analyzing some typical cases & examples.

- *Basic approach of conducting case study and group discussion will be introduced in this part*

1.6 Summary findings

1.6.1 Research report

- *The composition and usage of the Research Report (e.g. to be supported by Country Reports from the participant countries, etc.)*

1.6.2 Key findings

- *Key finding of the research will be highlight in this section*

1.7 Terminologies & Definitions

- *This section specifies some definitions, e.g. the scope and definition of corruption & money laundering, etc.*

Chapter two:

Evaluation of Current Situation of Corruption and Money Laundering

Introduction:

What is the meaning of money laundering? How does this illegal phenomenon takes form, how is it expanded? And how it affects national regional and, global economy? Money laundering means making dirty money looks clean. Everyone has consensus on this definition. It is in one meaning the processing of the criminal proceeds to conceal their illegal origin. The objective of the money launderer is to disguise the illicit origin of substantial profits generated by criminal activity. Money laundering is formed through illegal activities and it is expanded by organized criminals. There is no doubt that money laundering can seriously affect the economy, development and can create social injustice.

Money laundering is indeed a serious global problem that its harmful effects will pass national borders. At the global level, the International Monetary Fund (IMF) estimated the extent of money laundering to be at 2% to 5% of global GDP. According to the United Nation Office on Drugs and Crime (UNODC), this translated to 800 billion to 2 trillion US dollars in current GDP. It is therefore the duty of all including auditors to fight this menace.

The Iranian government is tough on its fight against money laundering. That's why the Centre for Fight against Money Laundering has been established at the Iranian Ministry of Economic Affairs and Finance. Other financial and non-financial supervisory organizations in Iran such as the Supreme Audit Court and General Inspection Organization help the fight against money laundering at national level.

Current Situation of money laundering in Iran

Money laundering is serious in Iran. It means that there are many risk areas in different sectors of public and private sector that can potentially harm the economic growths. These are should be identified as soon as possible so that necessary measures could be taken to take them. It should be noted that the money laundering in the country is not out of control yet.

Due to the fact that the Iranian government has been fighting money laundering through a couple of useful measure, fortunately money laundering has not tendered increase in recent years. In other words, it is under control.

Money laundering is being sophisticated year by year. As an example this year the methods of money laundering is more complex in comparison with 5 years ago. Today it is possible to transfer millions of dollars with one commuter click. This was much harder some years ago. The main pattern of money laundering could be observed in Iran both at public and private sectors. Indeed these two sectors are complementary and vital for every economy. In other words, the measures to tackle money laundering

are not limited to public sector; the private sector is included as well.
The areas prone to money laundering could be as in the following from the most to least important: 1. Finance and banking, 2. Real estate, 3. Trade; 4. Construction projects. Regarding the most common method of money laundering in Iran from most to least, the following sectors could be named: 1. through financial institutions, 2. Money exchange, 3. Cash transaction, 4. Casino, 5. Real estate, 6. through internet and 7. Stock market
Now coming to the environments favorable for money laundering, it could be said that bank and financial institutions do not have suitable supervision/control system to anti money laundering. In addition to this, use of cash and illegal money transfer is dominant. Other environments are not much prone to money laundering risk.
Now let's talk about the offences closely associated with money laundering. The following items should be taken into consideration: Embezzlement, Corruption, and Production, buying and selling of illegal goods, terrorism, and Drugs. However the top three offences include: Drugs, Production, Buying and selling illegal goods
Unfortunately exact and reliable statistics on the approximate average amount of monetary involved for the top three offences mentioned above is not available. This information could be gathered in the next phases of the activities of government on money laundering.
As mentioned earlier, the main reason criminals launder money is that they want to make that money legitimate earned through legal ways. Moreover, they want to hide illegally accumulated wealth for future use.
As mentioned above, money laundering has some consequences that will affect national development, economic growth and will lead to social injustice. These consequences have manifested themselves in Iran as negative impact on foreign investment as well as reduced government tax revenue and weakened government control over the economy. There are other minor consequences as well. Unfortunately, the economic and social consequences that money laundering has caused in Iran has been extremely serious. In addition to the above consequences, money laundering has also had extremely seriously national security, international reputation and weakens the economy as well as economic reforms. As said earlier no reliable data in the form of incidents of corruption from 2007-2012 is not available.

Conclusion:

With regard to the related laws and regulations, available infrastructure, operational FIU, receives and analyze and dissemination of STRs and CTRs to competent authority, we should say that the situation of Iran in fight against money laundering is being improved. Even if the threat is serious to both public and private sectors, it is under control.

Chapter three

Evaluation of current situation of anti-corruption and anti-money laundering

This section identifies and analyzes the anti-corruption and anti-money laundering overall situation particularly in aspects of National strategy and action plans, responsible agencies, Legal background, International cooperation, promoting public awareness and other matters.

3.1 Evaluation of anti-corruption

Iran has Stand-alone anti-corruption strategy and programme. These following chapters, covered in the anti-corruption document in Iran:

- Level of implementation of previous strategy.
- Objectives and priority areas.
- Chapters on prevention and criminalization / law-enforcement measures.

Iran's anti-corruption strategy has an action plan. These following elements are contained in the Anti-corruption action plan in Iran:

- Specific measures for each objective.
- Specific institutions responsible for the implementation of each measure.

The following measures has employed in fighting corruption in Iran are: Administrative reforms, Development and enforcement of the code of conduct and the code of professional ethics, Penalty forms to heads of the agencies in case of occurrence of corruption, Salary payment via bank account, Declaration of assets and income and Regulation of returning gift by the public officials.

Iran has an anti-corruption agency (ACA) for anti-corruption. These are the main responsibilities/functions of the ACA in Iran are Monitor and evaluate the implementation of the anti-corruption strategy, Collect, centralize and exploit the denunciations, Identify the causes of corruption and to propose to the competent authorities of measures to help eliminate it, and Anti-corruption screening of legal acts.

Iran's ACA ***sometimes*** re-evaluate bodies/ areas/ activities having high risk of corruption in order to employ appropriate measures to mitigate corruption and established a hotline and a website in order to facilitate citizens to complain of corruption actions.

Iran criminalizes different types of corrupted activities by various laws with certain provisions concerning corruption. In the following types of corruption, Iran needs to enact new legislation to better prevent and detect the relevant cases of corruption in Influence peddling and Nepotism.

We rank from 1 to 3 (most to least) the following types of measures against corruption based upon our experience in Iran:

- (1) Preventive policies and measures,
- (2) Detective actions,
- (3) Punitive measure.

Iran has laws and regulations governing code of ethics of public officials and has laws and regulations governing declaration of assets by public officials.

Iran has "accounting and auditing standards" for both public and private sectors. In Iran, public officials have legal obligation for public officials to report corruption-related offence. We rate the implementation of the rules/regulation in combating corruptions in ***Fair*** level.

Iran, has been ratified United Nations Convention against Corruption (UNCAC) and begun the UNCAC peer review process. Iran is one of the members of some anti-corruption conventions, initiatives or international project (OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; GRECO etc.).

The effect of media in fighting corruption: To some extent, media have helped public to recognize the real situation of corruption.

In Iran, the societies (including socio-political organizations, socio-professional organizations, citizens…) are participating in tackling corruption, actively. The level of anti-corruption efforts in Iran at the present time in comparison with those in past years is slightly higher than past years. Iran provides anti-corruption educational/training programs for the Public officials and General public.

Evaluation of anti-money laundering

Money laundering is a criminal offence in Iran. There are specific laws and regulations in place covering anti-money laundering in Iran. We think that the law could cover all money laundering aspects to deal with this phenomenon. We rate the implementation of anti-money laundering law in very good level. There is a national Financial Intelligent Unit (FIU) functioning as national center for the collection, analysis, and dissemination of information regarding potential money laundering offences.

There is an official authority / board in Iran's jurisdiction that takes in hand on anti-money laundering in Iran. These following measures of anti-money laundering that this agency applies effectively:

- Identify customer and update customer information (identification of customer; classification of customer based on risk level…)
- Report, provide and save information (report on great value transaction; report on suspicious transaction)

Iran's anti-money laundering authority enjoys independence in legal, Financial and Recruitment of employees' aspects.

Iran's anti-money laundering board, performs Developing policies and improving legislation, Data collecting, analysing, evaluation, Supervision, Coordination, Carry out researches, conducting sector-based studies etc., Requesting any kind of information and documents from public institutions and organizations, natural and legal persons, and unincorporated organizations and Exchange information and documents with counterparts in foreign countries functions.

The effectiveness of the following types of measures concerning anti-money laundering based upon SAI's experience in Iran from (most to least) is as follows:

- Preventive policies and measures (regulations, internal control systems, international cooperation for deterrence, raising awareness)
- Detective actions (prospections, investigations, audits etc.).
- Punitive mesure (Implementing criminal and disciplinary sanctions etc.)

Iran's AML board requires all financial institutions to have anti-money laundering (AML) & Know Your Customer (KYC) procedures.

It is possible for Iranian citizens to inform (denounce) the Iran's AML Board about a suspected case of money laundering via website of the AML Board. There are updated rules and information about the process of anti-money laundering in Iran.

Iranian financial institutions (banks etc.) have the following legal obligations to comply with concerning anti-money laundering law in Iran:

Internal controls and procedures to comply with regulatory framework concerning AML, Thorough client identification, Having an anti-money laundering officer, Client due diligence procedures, Risk focused assessment of customer base and their transactions, Creating and regularly updating a list of red flags concerning AML, Prohibition of anonymous accounts, Employee training programs regarding AML, Independent audit/compliance function, Identification and reporting of suspicious activities to the appropriate authorities, Monitoring program for suspicious or unusual activities, Policies covering relationships with politically exposed persons consistent with industry best practices, Policy prohibiting accounts/relationships with shell banks and Policy of protecting employees who report any suspicious transactions.

The most common type of suspicious transaction reports (STR) from financial institutions in Iran is in times that we see unusually large cash transactions. The financial institutions obliged to comply with FATF recommendations in Iran.

We think that SAI ability to cooperate and exchange financial information at international cooperation is in good level. Iran has cooperation agreements and protocols to share financial information and financial transfers if it's involved with money laundering

We think that the punishments of money laundering incidents are appropriate.
Iran provides anti- money laundering educational/training programs for Public officials, NGOs, Financial institutions and Business associations and private companies. We think that the controlling systems are the keystone and deterrent for fighting against money laundering. We have high institutions providing training workshops for the employees of controlling agencies about methods to detect money laundering. As a result of the current situation in fight against-money laundering, we have had positive impact, contributed to prevent money laundering.

Chapter four

Evaluation of SAIs' roles in detecting and preventing fraud, corruption and money laundering

This section analyzes the role of audit to prevent and detect corruption and money laundering, as well as indentifies the limitations which might present obstacle in detecting or reporting fraud related to corruption and money laundering"

Role of Audit to combat Fraud and Corruption

Iran's Supreme Audit Institution is established by virtue of the Constitution and this organization enjoys a permanent legal status. Organizational structure of Iran's SAI is Parliamentary model where the Office of the Auditor General is an independent body that reports to the Parliament.

The members of the Audit Committee / Board or Head of Iran's SAI have a fixed term under the Constitution or law who isolate them from the influence of politics.

Iran's SAI works under supervision or control of the legislature. Iran's SAI's yearly budget undergoes the scrutiny and review process of the Budget Department and the proposed budget could be reduced or increased by Parliament.

Iran's SAI have legal mandate and authority to audit Central or national government agencies, bureaus, offices, instrumentalities and local government units at all levels.

Types of audit services that SAI render includes: a) Real Time or a priori audit , b) Performance Audit , c) Compliance Audit/Regularity Audit , d) Financial Audit And e) Environmental Audit.

It has been considered in the articles of "health promotion of administrative activities" law, ratified by parliament that contains specific articles about SAI's roles and responsibilities on anti-corruption. Iran's SAI has not its own "anti-corruption strategy" implemented in accordance with the national anti-corruption strategy.

Detecting corruption already embedded in the regular audit services that Iran's SAI has been performing but merely incidental to the audit services being rendered and not an audit focus. Iran's SAI's duties are merely confined in the evaluation of internal control system and providing recommendations for improvements.

Iran's SAI provide Training workshops and review of related case studies are held to combat money laundering, fraud and corruption issues to ensure that auditors possess appropriate skills, knowledge, and abilities to identify and assess any potential irregularities.

Iran's SAI have Instructions of anti-corruption manual that helps auditors prevent and/or detect corrupt activities and transactions in the government. Approaches of Iran's SAI, in detecting corrupt activities and transactions in the government, limited only to detecting red flags or symptoms of corruption which will be referred to the anti-corruption agency for the conduct of necessary investigation.

The discovered red flags or symptoms of corruption during a regular audit will be referred to the special department, office or unit of the SAI for the conduct of a full blown investigation.
Iran's SAI have available facilities or mechanism to promote and intensify prevention and detection of corrupt activities and transactions in the government like "Hotline devoted solely to corruption complaints", "Corruption alert section in the SAI website", "Anti-corruption researches", "Anti-corruption educational/training programs" , "Promulgation of accounting and auditing rules and regulations" , "Governing Code of Ethics for Government Accountants and Auditors" and "Public Information Office with linkages to all sorts of media".
Iran's SAI have sufficient audit mandate, tools and techniques to detect relevant cases of the following types of corruption as "Abuse of position/power" , "Conflict of Interest" , "Fraud" , "Bribery" , "Criminal breach of trust" , "Illegal gratuities" , "Extortion" , "Asset misappropriation" , "Embezzlement" , "Forgery" , "Influence peddling" , "Kickback" , "Nepotism" , "All types of Illegal activities in public procurement procedures" and "Illegal activities related to financing of political parties or candidates in the national and local elections".
The audit tools and techniques, that Iran's SAI performs to detect corrupt activities and transactions in the government are: "Data mining" , "Risk analysis" , "Audit checklists" and "Audit manuals". An attempt to uncover corruption has taken place by auditing and reviewing of financial statements and bank reconciliation.
SAI auditors report the detected corrupt activities and transactions cases to the Attorney General of supreme audit court and he refers the Cases to the Judiciary for follow them. Iran's SAI submit the audit reports findings on corrupt activities and transactions to the Judiciary.
The legal actions that Iran's SAI initiates against the perpetrators of corrupt activities and transactions are as "Civil forfeiture and seizure of the proceeds of corruption" , "Civil suits for recovery of the government funds and properties" and "Administrative sanctions". Supreme audit court report is provided in form of the GAO report and is read in the parliament, and after that, the report will publish for public.
Fields of the anti-corruption efforts of Iran's SAI contribute best order of importance are: Preventive actions, Detective actions and punitive measures. We rate the performance of Iran's SAI in combating corruption in Fair level.
In Article 6 of supreme audit court law, the internal control evaluation is anticipated and Iran's SAI uses this article to obtain objective information about the effectiveness of its anti-corruption policy and performance. Iran's SAI didn't implement a self-integrity assessment such as the "IntoSAINT Methodology" mentioned in the exposure draft of ISSAI 5700.

For making changes in in the legal framework and organizational structure to better address growing demand for anti-corruption activities, Supreme Audit Court proposed to amend in the Commerce Act, Public Audit Act, the Planning and Budget Act and ... to the Parliament and the Commission of technical issues in parliament reviewing the proposals.

We think that because the lack of punishing the corrupt people and Lack of capacity and financial resources of SAI hampers Iran’s SAI role in the fight against corruption:

The Supreme Audit Court prepares the performance of government agencies report and audit findings and reports it to legislature and public and plays a critical role in transparency in the financial performance of state agencies, in order to achieve good governance.

Iran’s SAI cooperated with foreign counterparts in fighting corruption through membership in the UN convention against corruption. (UNCAC).

Through membership in the Council of regulators (Compound of the Inspector General, Ministry of Information, the supreme audit court, Audit agency and Court of Administrative Justice) Shared commitment between the supreme audit court and other anti-corruption agencies have been provided to prevention, detection and reporting of corruption and punishing the perpetrators.

Role of Audit to combat Money laundering

Money laundering activities prohibited in Article 49 of the constitution and in Article 55 of the constitution, The SAI, monitors spending of the government budget. SAI Iran reviews the performance of executive agencies in the fight against money laundering, by using audit checklists, monitors the implementation of these measures and discloses the findings in the audit reports. Detecting money laundering already embedded in the regular audit services. In Iran’s SAI, a special audit unit identified as anti-money laundering department established and this unit works under the direct supervision of the President of SAI. This special audit unit has been in place less than 5 years.

The approach of Iran’s SAI in detection and investigation of money laundering is Proactive through a risk based audit method aimed at detecting red flags or symptoms of money laundering. Upon discovery of red flags or symptoms of money laundering during a regular audit, the office or department which discovered the red flags will conduct a full blown investigation

Iran’s SAI have available facilities or mechanism to promote and intensify detection of money laundering as Hotline devoted solely to money laundering complaints, Money laundering alert section in the SAI website, Anti-money laundering researches, Anti-money laundering educational/training programs, Promulgation of relevant accounting and auditing rules and regulations, Governing Code of Ethics for

Government Accountants and Auditors and Public Information Office with linkages to all sorts of media.

SAI Iran has Anti-money laundering audit checklists in different sectors that help auditors prevent and/or detect and investigate money laundering incidents.

Iran's SAI provides regular trainings to auditors about anti-money laundering in accordance with an annual training program to be sure that auditors possess appropriate skills, knowledge, and abilities to identify and assess any potential irregularities. Our SAI does not issue a special audit report, but the money laundering incidents encountered and / or detected, will be incorporated in the regular audit report.

Fields of the anti-money laundering efforts of Iran's SAI contribute best order of importance are: Preventive actions, Detective actions and punitive measures. We rate the performance of Iran SAI in combating money laundering in Good level. Iran's SAI uses In-house research and studies to obtain objective information about the effectiveness of its anti-money laundering policy and performance.

Iran's SAI have exchange of information and experience with other SAIs towards enhancing the capabilities and methodology of audit in detecting money laundering through Cooperation in ASOSAI and INTOSAI research projects. The legal instruments in Iran that provides for a joint undertaking among SAI and anti-corruption agencies relative to the prevention, detection, reporting and prosecution of money laundering is Membership in the Council of regulators.

Chapter five

Introduction of typical audit practices

This section identifies typical audit practices in Money laundering and corruption cases.

Best Practices of Preventive Role in Anti-Corruption and Anti-Money Laundering

The first goal in the fight against corruption is criminalization of issues and it is determined in several cases of upstream documents, constitution and laws of the country. The administrative system of Islamic republic of Iran formed by the three branches of Executive, Legislative and Judicial; that in sequence, Ministry of Information, SAI IRAN and Inspection office are working as eye-regulatory body of the country. The most important task of these organizations is to keep the treasury and discover the crime and fighting against fraud and financial malfeasance.

Since money laundering is considered a secondary crime, the aim of the measures taken to combat money laundering is eliminate the primary source of crime to secure and maintain social capital in order to ensure healthy cash flow and transparency of economic activity.

Anti-Money Laundering High Council chaired by the Minister of Economy and Finance and membership of relevant Ministers and the Secretariat and Financial Information Unit (FIU) are monitor the formation and structures of monetary and fiscal systems.

Due to the inherent duties of the SAI IRAN in the fight against financial crime, anti-money laundering measures and Auditing is in the focus point of Technical Assistance of Economic Affairs and infrastructure (as the chief representative of SAI IRAN).

Anyway, SAI IRAN has not direct duty to anti-money laundering. However, the main objective of preventive role is to create the network between SAI IRAN and anti-money laundering agency (FIU).

Since money laundering is in the next stage of the initial crime; and criminals take advantage of the economic benefits of the crimes by money-laundering, Criminalization and the measures taken to combat money laundering led to discovery, identification, and providing the possibility to deal with the initial crime.

Anti-corruption and money laundering committee by establishing a close relationship with the Supreme Council of Anti-money laundering has been committed in SAI IRAN in order to combat money laundering.

Concurrent with the discovery of the corruption cases, SAI IRAN is attempting to address other aspects of the people and activities that will lead to the discovery of the new cases of criminal actions. Based on a comprehensive plan to address the annual

audit of the executive in relation to “health promotion of administrative system” Act, is on the agenda for all boards of audit in SAI Iran. It should be noted that internal controls systematically and consistently will reduce risks of corruption.
Under the preventive role, these kinds of information should be consisted:

- Internal control standards;
- Knowledge about anti-corruption and promoting good governance;

Both auditors and supportive staffs of SAI IRAN (approximately 2000) required to play role in preventive actions.

In recent years, SAI Iran has attempted to anti-corruption continuously; however, the concrete measures seem to be represented since 2006.
The expected outcomes of preventive role are consisted of:

- To reduce corruption chances through the effective internal control and proactive strategy.
- To raise awareness in combating corruption through the government officers and citizen participation.

Improving knowledge about anti-Money laundering and promoting good governance are important things to be considered in preventive role.
100 years of history Legislation in Iran as an effort to combat corruption and the rule of law and transparency in the financial and administrative affairs of the country can be assessed. Several principles of the constitution refer to the prevention of financial and administrative corruption is as follows:
A series of civil, penal, financial and economic laws and regulations exists that refers to the prevention of financial and administrative corruption.
Also the duty of the judiciary in the fight against crime is monitoring assets of leader, president, vice president, ministers and their wives and children before and after service is upstream of preventive law.
Some of laws and regulations that prevent corruption are as follows:
• Law of prohibition Ministers and members of Congress and staff about the intervention, adopted in 1998.
• Act adopted for prohibition of receiving commission on foreign transactions adopted in 1994.
• Law of Islamic Punishment Act adopted in 1997.
• Promote health administration and anti-corruption law passed in 2012.
The SAI IRAN through auditing and reporting framework in conjunction with the “Health Promotion of Administrative Activities Act” prepared a rich set of regulations,

procedures, and guidelines, provides a framework to fight against corruption.
Determining agencies who responsible for combating money laundering, we have anti-money laundering law and 39 action plans dealing with finance and credit institutions, stock exchange, tax, customs, insurance, employment and financial rules that prepared by the Secretariat of the Supreme Council for combating money laundering. Because the inclusive and exclusive of the above regulations, appropriate measures have been taken in the area of prevention of money laundering crimes.
The training courses of the United Nations on anti-money laundering (UNDOC AML/CFT), held by all members of the Committee of Anti-Money Laundering in SAI Iran and all staff of this committee, has been passed this course.
Through membership in the Council of regulators (Compound of the Inspector General, Ministry of Information, the supreme audit court, Audit agency and Court of Administrative Justice) Shared commitment between the SAI Iran and other anti-corruption agencies have been provided for prevention, detection and reporting of corruption and punishing the perpetrators.
In fact, SAI IRAN auditors could play a vital role in assisting other anti-corruption agencies (ACAs) especially the role of corruption investigation role. However, the main objective of detective role is consisted of:

- To assess the chances of corruption behavior in audit entities;
- To investigate sufficient evidences for supporting the chances of corruption behavior;
- To report the suspicious corruption cases to direct anti-corruption agencies.

Detecting money laundering already embedded in the regular audit services and detected money-laundering cases will be incorporated in the regular audit report.
The SAI Iran could play the vital role to screen or assess Money laundering chances under sufficient evidences through the investigative audit.
Currently, SAI IRAN plays the detective role to anti-corruption as following approaches:
In Article 6 of supreme audit court law, the internal control evaluation is anticipated. Also it has been considered in the articles of “health promotion of administrative activities” law, ratified by parliament that contains specific articles about SAI IRAN roles and responsibilities on anti-corruption.
SAI Iran usually renders Real Time (priori audit), Performance Audit, Compliance Audit (Regularity Audit), Financial Audit and Environmental Audit and detection of corruption is one of the viewpoints of these audits.
We usually use data mining, risk analysis, Audit checklists and Audit manuals to

detect corruption. And attempt to uncover corruption has taken place by auditing and reviewing of financial statements and bank reconciliation.

SAI IRAN provides regular trainings to auditors about anti-corruption or anti-fraud in accordance with an annual training program to ensure that auditors possess appropriate skills, knowledge, and abilities to identify and assess any potential irregularities. According to this point, in recent years, we had training workshops and review of related case studies are held to combat money laundering, fraud and corruption issues.

Also, for having a better legal background, SAI Iran proposed to amend in the Commerce Act, Public Audit Act, the Planning and Budget Act to the Parliament and the Commission of technical issues in parliament reviewing the proposals.

All of personnel that perform regular audit in SAI, should participate in detection activities to combat corruption.

Iran has been joined to United Nations Convention against Corruption in 2003 and SAI IRAN of Iran tried to implement the audit according to Legislative Guidelines of this convention. (Fight against corruption).

SAI IRAN tries to implement Detective actions through the conduct of fraud/forensic audits and timely reporting of the audit results to the Prosecution Department.

SAI Iran auditors, report the cases to the Attorney General of supreme audit court and he refers the Cases to the Judiciary to follow them.

Also, SAI Iran’s report is provided in form of the GAO report and is read in the parliament, and after that, the report will publish for public.

Training auditors to inform them about new types of corruption and money-laundering is necessary.

Also these types of controls should consider ensuring that the integrity and competence of SAI in the field of anti-corruption is in a good level:

- ✓ Integrity legislation and regulations
- ✓ Administrative organization and internal control
- ✓ Vulnerability / risk analysis
- ✓ Accountability

The approach of SAI IRAN in the detection and investigation of money-laundering is Proactive through a risk based audit approach aimed at detecting red flags or symptoms of money laundering.

After detecting the red flags of money-laundering, the office or department which discovered the red flags will conduct a full blown investigation and for better effectiveness, The SAI IRAN prepared anti-money laundering audit checklists in different sectors.

In recent years, SAI IRAN has been prepared some facilities and mechanism to

promote and intensify detection of money laundering as follows:
Hotline devoted solely to money laundering complaints, Money laundering alert section in the SAI website, Anti-money laundering researches, and Anti-money laundering educational and training programs, Promulgation of relevant accounting and auditing rules and regulations, Governing Code of Ethics for Government Accountants and Auditors and establishing Public Information Office with linkages to all sorts of media.
All of auditors should participate in detection activities to combat corruption.
Special audit unit identified as anti-money laundering department and works under the direct supervision of the President of SAI. This department has been formed less than five years and has a lot of works to do in the future to facilitate detecting money-laundering cases.
Detective actions take place through the conduct of investigations and the audit results will timely report to the Prosecution Department.
SAI IRAN initiate legal actions like civil forfeiture and seizure of the proceeds of money laundering, Civil suits for recovery of the government funds and properties and Administrative sanctions against the perpetrators of money laundering.
Anti-corruption and anti-money-laundering Laws and Regulations:

- **The United Nations Convention against Corruption.**
- **Law of Health Promotion of administrative system ratified by parliament.**
- **Promotion of administrative system program.**
- **Anti-Money Laundering Act**
- **Executive By-Law of Anti-Money Laundering Act**
- **Combating Financing of Terrorism Bill**

SAI of Iran intends to use the experiences of other Supreme Audit Institutions of the leading countries in the field of money laundering, and utilizing the latest achievements in the field of auditing, creates the conditions for transparency and insecurity for money laundering and in the next few years, it will be one of the top countries in fight against money laundering.
SAI Iran, based on laws and regulations, should prepare public reporting and responsible for this daunting task, and as a sign of wisdom to confront major corruption, SAI Iran is reporting and tracking the corruption cases.
Given a training program for all organizations and institutions involved in the fight against money laundering and corruption and public education through the media and the press, expected that the year of 2014 to be extremely unsafe for corrupters. As well as participation of SAI Iran in international research projects related to combating corruption, shows a bright future to fight against corruption.
The development of electronic surveillance and monitoring of comprehensive online

financial supervision in assessing and strengthening internal controls in firms is one of the main applications of the audit and facilitate the audit for SAI Iran. The development of automated controlling and reporting systems to explore the objectives of the crime is undoubtedly is a major factor in the fight against corruption.

Potential risks for fight against corruption can be stated as follows:

1 - Political Risks;

2 - Economic Risks;

3 - Cultural Risks; and

4 - Technical Risks.

Audit proceedings to combat money laundering could be placed in four categories of educational initiatives, research, technical and auditing rules and regulations

Chapter six

Measures on improving audit's function in detecting and preventing corruption and money laundering

This section identifies and describes measures on improving audit's function in detecting and preventing corruption and money laundering.

The role of SAI Iran at the International anti-corruption organizations

Prevention and fighting against corruption has been stipulated in the constitution of the Islamic Republic of Iran as a major principle; separation of power and independence of the Judiciary has been guaranteed, and different mechanisms have been instituted to monitor and supervise the activities of executive and administrative bodies in order to prevent corruption and ensure their smooth functioning.

The Constitution of I.R. Iran has also conferred upon the Parliament the right to probe into and investigate in all affairs of the country. The Parliament is entitled to monitor all domestic and foreign cases of corruption and financial mismanagement. Accordingly the SAI IRAN as the supervisory body of Parliament examines and audits all the issues suspicious to corruption either through the order of parliament or independently upon its own discretion.

The SAI Iran is not mandated directly to fight against corruption but is it has the power to investigate in any matters related to corruption, financial mismanagement and waste of public funds. However, SAI Iran strongly supports and encourages the government to fight against corruption through appropriate manners especially through implementing its commitments internationally. In addition to this, SAI Iran has been a member of the INTOSAI Working Group on Fight against Corruption and Money Laundering (WGFACML) since 2012 when for the first time attend the 6th meeting of WGFACML in Poland.

Also SAI Iran is one of the members of 10th ASOSAI Research project that is about Audit to detect fraud and corruption.

Government of I. R. Iran especially the Ministry of Justice is a signatory to the most important international documents against corruption. The most important activities of government of Iran could be explained in the UN Convention against Corruption and The World Bank and International Monetary Fund.

Strengthen investigative powers in SAI mandate by SAI.

Since the discovery of fraud and corruption usually conducted within the scope of inspections and SAIs do financial, compliance and performance auditing under the accounting and auditing standards and SAIs usually do not have fraud detection tools, the SAIs authority on the subject of detecting fraud and corruption is in the domain of financial documents that are reviewed during the audit.

SAI Iran is obliged by law to ensure about the accurate and timely collection of revenues and performing accurate cost by the government. In this regard, any corruption that leading to the loss of revenues or increase of costs in government should be investigated and traced by the SAI Iran. Thus, although auditing standards differ from the principles of inspection and exploring corruption is not in the auditing standards, so the General Inspection Organization of the Islamic Republic of Iran has duty to uncover corruption and SAI Iran is mandated to prevent corruptive activities by adopting proper administrative procedures. In addition, if during an audit of government agencies, SAI discovers corruption, fraud and money laundering, it will report the case to the Prosecution Office of SAI Iran for further investigation and follow up.

Developing anti-corruption standard for public servants:

According to the Law on fight against corruption in the public sector, SAI Iran, besides supplying a list of auditing procedures and audit checklists in accordance with international guidelines on combating corruption, fraud and money laundering, monitors internal control system in the auditees to ensure that the internal control system can detect and fight against corruption and money laundering.

Developing anti-corruption code of conduct for business communities:

In order to fight corruption, fraud and money laundering in the business communities, SAI Iran monitors these communities through direct and indirect ways:

A) In issues related to the professional conduct of private rights, trade union rights and public issues, government agencies are responsible for directly overseeing the business communities.

B) SAI Iran monitors the proper implementation of anti-corruption laws and indirectly effects on developing anti-corruption code of conduct for business communities.

The highest risk area of corruption:

The highest risk areas are revenue collection and payment facilities in banks.

The discovery of crime and corruption is not in the main audit functions and that's why auditors can only investigate and report suspected cases to the relevant authorities.

In revenue collection area, SAI Iran verifies the actual proceeds of figures and statistics by audit checklists. SAI Iran also controls the mechanism of internal controls and proper implementation of the law by the revenue collection agency.

The planning department creates red flags for anti-corruption according to scientific studies and practical experience and external reports, previous reports that prepared during the previous audits and the results of previous studies and also the suggested cases by the audit committees.

In relation to creating and developing fraud indicators, and in order to reduce the risk of corruption and fraud, SAI Iran created fraud indicators within the framework of "Health promotion in the context of administrative system" Law and its related by-laws.

Anti-corruption complaint mechanism

Regarding the importance of public awareness of civil rights and the structure and nature of anti-corruption in Iran and the need to inform people about the negative consequences resulting from corruption, SAI Iran has a lot of different ways to convey information or complaints from citizens about the issues related to corruption in the governmental organizations and all sectors benefiting from the state budget, including recording a complaint or notification in website, hotline, SMS messaging system and submit written reports via visiting, mail or fax. In addition, public awareness through various media, websites and publications takes place.

In order to combat corruption, SAI Iran applies new technologies (information and communication technologies) to develop and strengthen the public reporting systems.

In implementing this type of audit, auditors in performing their legal duties, when dealing with cases of corruption, besides including them in the audit reports, they document cases of corruption and send them to the Court. After examining cases within the laws and regulations, SAI's Court decisions are made. Cases beyond the powers of the Court of SAI Iran are investigated by other relevant bodies including the Judiciary.

According to financial laws and regulations, SAI Iran ensures the correct collection of state revenues, including tax and customs duties and punishes the corruption perpetrators in these cases with the authorities that given by Law.

Concerning the separation of powers in Iran, General Inspection Organization of Iran (GIO) does this significant task (investigative auditing). This organization operates under the Judiciary system of Iran. Due to Iran's serious determination to fight against corruption and also signing memorandum of understanding between SAI Iran and other monitoring agencies, SAI Iran will report cases of corruption (non-financial) to the relevant agencies, including the Judiciary.

According to the mandate of Supreme Audit Court stipulated in constitution and the Supreme Audit Court ACT and considering the upstream documents, this organization not only audits relevance issues but also conducts an investigation as needed. However SAI Iran regularly holds common training courses and seminars in order to avoid task duplication and accumulate efforts of national monitoring agencies in fighting against corruption. In addition, there is a special international training center in the Iranian Ministry of Economic Affairs and Finance which fights against corruption and money laundering. This center was established in collaboration with the United Nation. Monitoring agencies nominated their staff for training at the same center. In this regard, some of SAI Iran experts obtained international certificates on anti-money laundering and corruption from the same center.

Fraud auditing standard

The SAI Iran has initiated the localizing of audit standards in order to take advantage of the international experiences and the guidance that developed by professional associations (INTOSAI and ASOSAI). Also SAI IRAN has localized the International Standard - No. 2400, entitled "The standard principles of transparency and accountability". Accordingly, all auditors are required to follow the same standard. Also after ratification of "Health promotion in the context of administrative system" ACT, SAI Iran follows up and reports about implementation of this important law in the combating corruption. SAI Iran does this work by issuing guidance and preparing check lists. According to the constitution, SAI Iran is required to prepare annual reports and make it public through its official website. This is an effort to promote transparency and accountability.

To fight against corruption and to provide a healthy social and economic environment, such organizations now and then ratify international treaties/ convention on fight against corruption. Unfortunately, it happens that some of the same treaties remain on paper without implementation. The reason is that in spite of being legally binding documents, the signatories refuse to implement them fully due to political and capacity constraints. It is therefore advisable that SAIs encourage their governments to pay full attention to their commitments towards such international legally binding documents.

Conclusion and Recommendations:

Improving international measures on anti-corruption by SAIs:

The role of supreme audit institutions in fighting against corruption at global level is undeniable. Today SAIs is already on the track of advising their governments to encourage and mobilize international efforts in fight with the most destructive phenomenon of Iran.

With the advancement of technologies, the methods of corruptive actions have also developed. Today with one computer click it is possible to transfer millions of dollars instantly while this proved to be very difficult in the past. For this reason fighting against corruption requires multilateral cooperation. No country will be able to fight corruption individually within its borders. Information and experience sharing among the world government is very crucial in reducing the scopes and level of corruptive actions in the world. SAIs should get involved in knowledge sharing on fight against corruption through INTOSAI Working Group on Fight against Corruption and Money Laundering. It is advisable that ASOSAI establishes similar body so that the efforts of

Asian countries are harmonized. The information and experiences obtained out of such interactions could be transferred to national government by SAIs.

SAIs can also help the development or improvement of international standards for fighting against corruption. This measure aims to improve the effectiveness of the actions to be taken by the world government in the future.

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